



2024 **ANNUAL REPORT**



OUR PURPOSE

Helping members achieve their dreams since 1935. Pentagon Federal Credit Union (PenFed) is one of America's largest credit unions, serving over 2.8 million members worldwide with \$31 billion in assets. PenFed offers market-leading certificates, checking and savings, credit cards, personal loans, mortgages, auto loans, and a wide range of other financial services, always with members' interests in mind. PenFed is federally insured by the NCUA and is an Equal Housing Lender.

OUR MISSION

To deliver financial value to help our members achieve their dreams.

OUR VISION

To be recognized as one of America's premier financial institutions, delivering convenience and compelling value.

OUR VALUES

Personal & Professional Excellence

We always strive to do our best.

Integrity & Respect

We do the right thing and expect the same of our colleagues.

Teamwork

We achieve at higher levels together.

Service

We take perfect care of our members and community.

High Performance

We use innovation, expertise, and continuous improvement to deliver what our members deserve.

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CHAIRMAN'S LETTER

As we reflect on 2024, it's clear this was a year that tested the resilience of financial institutions. Shifting interest rates, evolving regulations, and continued geopolitical and economic uncertainties required disciplined, thoughtful leadership. At PenFed, we chose to lean into our strength—taking a steady, deliberate approach that positions us not just to endure, but to grow.

We understand that success isn't measured solely in percentages or balance sheets. It's measured in trust—the trust of nearly 3 million members who count on us to be there through every financial milestone, challenge, and dream. It's measured in service—to our members, to our communities, and to the values that have guided credit unions for nearly a century.



As Chairman, I'm proud of how PenFed has navigated this environment. In 2024, we made purposeful choices. We focused on building **capital and liquidity**, strengthening our balance sheet, and increasing our efficiency—all while continuing to offer **great rates and exceptional service**. These actions didn't happen by accident. They reflect a clear and consistent strategy: grow our strength in the present, so we're ready to seize opportunity in the future.

History shows us that periods of uncertainty are often followed by innovation and growth. After the 1918 pandemic, the nation experienced a decade of remarkable expansion. We believe a similar horizon is possible—and we're preparing for it. That's why we invested in the fundamentals this year and took care of our members through it all.

I want to also express my gratitude for the thousands of professionals and volunteers who make PenFed what it is. Their commitment is unwavering, and their service reflects the highest standards of excellence in our industry.

And to you—our members—thank you for your continued loyalty and trust. You are the heart of PenFed. Because of you, we move forward into 2025 with confidence, strength, and a shared sense of purpose.

We are ready for what comes next.

On behalf of the Board of Directors, thank you for being part of the PenFed family.

A handwritten signature in dark ink, reading "Edward B. Cody".

EDWARD B. CODY
CHAIRMAN, BOARD OF DIRECTORS

PRESIDENT'S REPORT



Thank you for choosing PenFed to help you achieve your financial dreams in 2024 and beyond. We continue to deliver on our key priorities of building deposits, liquidity and capital, despite a challenging economic environment. Together, we are nearly 3 million members strong. In 2024, over 117,000 new members joined PenFed for our great rates and world-class service.

At PenFed we measure success not just by financial results, but most importantly, by how many people we've helped. We are especially proud to have donated \$1.8 million to support the communities where we live and serve.

2024 FINANCIAL HIGHLIGHTS

- PenFed's regulatory net worth capital ratio increased to 9.72%, an increase of 62 basis points year-over-year.
- PenFed closed the year with over \$849 million of capital in excess of required regulatory net worth to be well capitalized.
- PenFed's total cash and investments increased to 13% of total assets, an increase of 177 basis points year-over-year.
- PenFed's year-to-date net income was \$36 million. Over the past 5 years, PenFed has earned over \$724 million in net income and grown its total membership at a 9% compound annual growth rate.
- PenFed continued adding to its portfolio and servicing billions in low-rate mortgages that will benefit its membership for years to come.
- PenFed reduced total operating expense by \$42 million, which represents a 5% reduction year-over-year.

THANK YOU

We couldn't have made this positive impact without you. Our members are the reason why PenFed is recognized as one of America's premier financial institutions each year and was named Best Overall Credit Union by Money Magazine in 2024. On behalf of PenFed's team of dedicated financial professionals, we send you our heartfelt thanks.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'J. Schenck', written in a cursive style.

JAMES R. SCHENCK
PRESIDENT & CEO

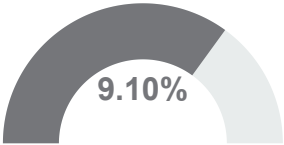
FINANCIAL HIGHLIGHTS

2022

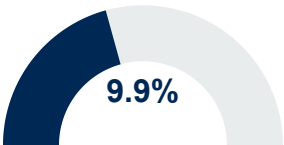
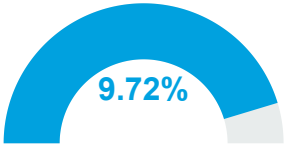


2023

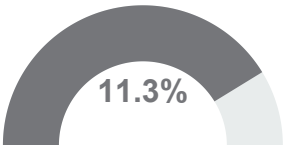
NET WORTH RATIO



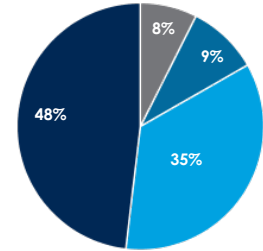
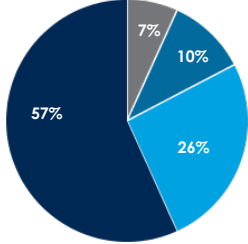
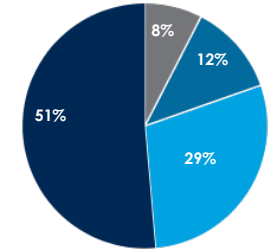
2024



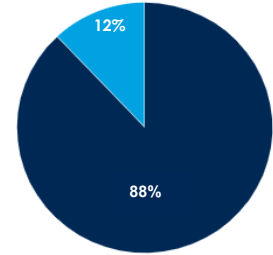
CASH & INVESTMENTS RATIO



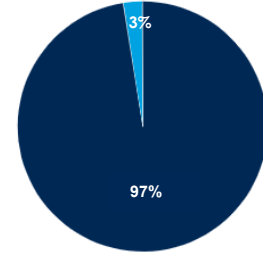
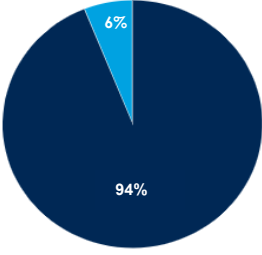
MEMBER SHARES BY PRODUCT



■ PenCheck ■ Money Market Shares ■ Shares ■ Certificates

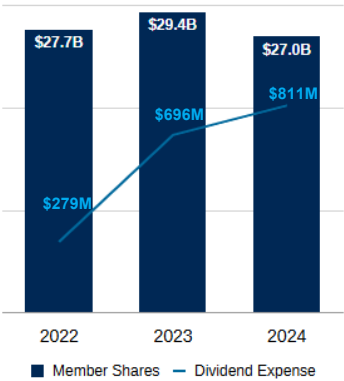


FUNDING

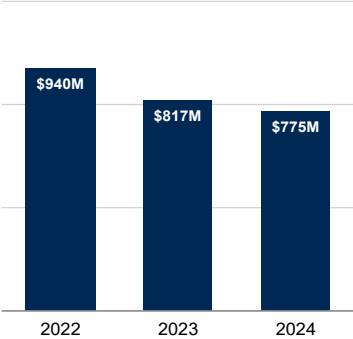


■ Member Shares ■ Borrowings

MEMBER SHARES & DIVIDENDS PAID



OPERATING EXPENSE



DONATIONS



BOARD OF DIRECTORS

Your board members and supervisory committee members are volunteers who serve without compensation. In addition to their service to the credit union, they spend hundreds of hours from their personal lives on credit union business and activities in the interest of our esteemed members.



Edward B. Cody
Chairman of the Board



Retired Army Col. James F. Quinn ^{P, E, F}
Vice Chairman of the Board



Sandra L. Patricola ^{P, F}
Treasurer of the Board



Retired Army Col. Robert W. Siegert, III ^{P, I, R}
Secretary of the Board



Retired Army Col. Ronald P. Hudak ^{P, E}
Board Member



Retired Navy Reserve Lt. Cmdr. Ed Lucio ^{I, F, R}
Board Member



Retired Army Col. Philip F. Romanelli ^{E, F}
Board Member



Alfred Rudolph ^{E, F, R}
Board Member



Retired Army Lt. Col. Ron Spear ^{I, F}
Board Member

Reporting Committees

- ^P Planning
- ^E Employee Benefits & Development
- ^I Information Technology
- ^F Financial Management & Risk
- ^R Real Estate
 - Chairman/Chairwoman
 - Vice Chairman

SUPERVISORY COMMITTEE REPORT

My name is Brad Honkus, and I have the honor of serving as Chairman of the Supervisory Committee of Pentagon Federal Credit Union. I am joined in this important responsibility by three fellow committee members, and together we are entrusted with ensuring the integrity and soundness of the institution's operations.

The principles of safety and soundness are foundational to the trust our members place in PenFed. These are not just aspirational goals—they are enduring commitments that guide our oversight and reflect our duty to protect the financial well-being of our members and the stability of the organization.



As someone who views PenFed's members and employees as part of an extended family, I take this responsibility seriously. We remain steadfast in our commitment to ensuring PenFed continues to operate with transparency, accountability, and financial strength—today and into the future.

You can be assured that PenFed will continue to uphold its mission and values, always placing the interests of its members and employees at the center of all that we do.

The Supervisory Committee is appointed by the PenFed Board of Directors and plays a critical role in the overall governance structure of the credit union, including maintaining its safety and soundness. We volunteer our time to provide our fellow members assurance that the operations of the credit union are carried out in accordance with the Federal Credit Union Act, regulations of the National Credit Union Administration (NCUA) and Consumer Financial Protection Bureau (CFPB), and the policies established by PenFed's Board of Directors acting on your behalf.

The Committee meets its responsibilities through three oversight methods:

- Engaging the services of an independent CPA firm, Crowe LLP, to review the financial condition of PenFed. Crowe provided an unqualified opinion, the gold standard, on the 2024 financial statement audit.
- Working closely with the regulators to address any concerns and keeping abreast of risks impacting the financial services industry. These regulatory reviews help to ensure PenFed is operationally and financially safe and sound and in compliance with the laws and regulations governing credit unions and protecting our members.
- Overseeing the internal audit function that independently evaluates the internal controls of the credit union on a continual basis.

Lastly, PenFed Supervisory Committee members bring a wealth of professional experience and are recognized leaders in the accounting, auditing, and cybersecurity industries. They leverage this experience to help advise PenFed management.

Based on the activity of the external auditors, the regulators, and the internal auditors, we report to you that PenFed continues to be fiscally strong, and operationally safe and sound while providing quality member service. You can be confident that PenFed will be here for you in the long term. The PenFed Board of Directors, management, and staff are to be commended for their continuing leadership and dedication to our credit union.

Thank you for your time.

A handwritten signature in black ink, appearing to read 'Brad Honkus', written in a cursive style.

BRAD HONKUS
CHAIRMAN, SUPERVISORY COMMITTEE

SUPERVISORY COMMITTEE



Brad Honkus
Supervisory Committee Chairman



James Golden
Supervisory Committee Member



Rafael Roman
Supervisory Committee Member



Colette Wilson
Supervisory Committee Member

EXECUTIVE TEAM



James Schenck
President & CEO



Ricardo Chamorro
EVP, Consumer Banking & Strategy



Jamie Gayton
EVP, Member Operations &
Global Fixed Assets



Terry Grafenstine
EVP & Chief Audit Executive



Sarah Heintzman
EVP, Chief Financial Officer



Scott Lind
EVP, General Counsel



Shree Reddy
EVP, Chief Information Officer



Maura Watson
EVP, Talent, Risk InfoSec and Data



Winston Wilkinson
EVP, Residential and Commercial Real
Estate & President, Mortgage Banking

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2024 AND 2023

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024, AND 2023

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INDEPENDENT AUDITOR'S REPORT

Supervisory Committee and Board of Directors
Pentagon Federal Credit Union and Subsidiaries
McLean, Virginia

Opinion

We have audited the consolidated financial statements of Pentagon Federal Credit Union and Subsidiaries, which comprise the consolidated statement of financial condition as of December 31, 2024, and the related consolidated statement of income, comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Other Matter

The consolidated financial statements of Pentagon Federal Credit Union and Subsidiaries for the year ended December 31, 2023, were audited by other auditors, who expressed an unmodified opinion on those statements on March 29, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Pentagon Federal Credit Union and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pentagon Federal Credit Union and Subsidiaries' 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.


Crowe LLP

Oakbrook Terrace, Illinois
March 31, 2025

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
(Dollars in thousands)	2024	2023
Assets		
Cash and cash equivalents	\$ 829,298	\$ 676,653
Restricted cash	4,301	5,007
Investment securities		
Available-for-sale, at fair value (amortized cost of \$3,349,740 and \$3,342,649; and allowance for credit losses of \$0 as of December 31, 2024 and 2023, respectively)	3,145,073	3,116,861
Other investments	58,860	116,890
Loans held for sale	107,351	130,062
Loans held for investment, at amortized cost	24,752,940	28,701,635
Allowance for credit losses	(650,150)	(717,636)
Loans held for investment, net	24,102,790	27,983,999
Loans held for investment, at fair value	151,730	207,342
Accrued interest receivable	123,493	138,739
National Credit Union Share Insurance Fund deposit	247,934	242,615
Credit Union Owned Life Insurance	233,689	373,856
Charitable Donation Account	136,274	147,513
Goodwill	30,744	30,744
Other intangible assets, net	110,811	112,689
Property and equipment, net	526,401	551,755
Other assets	1,201,503	956,448
Total assets	\$ 31,010,252	\$ 34,791,173
Liabilities and members' equity		
Members' accounts	\$ 27,002,697	\$ 29,447,479
Borrowed funds	735,000	1,916,000
Other liabilities	466,601	545,671
Total liabilities	28,204,298	31,909,150
Members' equity:		
Additional paid-in capital	1,150	1,150
Undivided earnings	2,835,086	2,798,809
Accumulated other comprehensive (loss)/income	(31,038)	81,085
Total Pentagon Federal Credit Union members' equity	2,805,198	2,881,044
Non-controlling interests	756	979
Total members' equity	2,805,954	2,882,023
Total liabilities and members' equity	\$ 31,010,252	\$ 34,791,173

The accompanying notes are an integral part of these consolidated financial statements.

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
(Dollars in thousands)	2024	2023
Interest income		
Loans	\$ 1,617,465	\$ 1,709,118
Investment securities	172,531	114,941
Total interest income	1,789,996	1,824,059
Interest expense		
Members' accounts	811,175	695,750
Borrowed funds	28,599	82,938
Total interest expense	839,774	778,688
Net interest income	950,222	1,045,371
Provision for credit losses	528,083	479,803
Net interest income after provision for credit losses	422,139	565,568
Non-interest income		
Fees and charges	148,319	140,252
Credit and debit card interchange	39,582	39,875
Gains on sales of loans	22,606	10,966
Mortgage banking activities	8,581	5,995
Other	170,317	71,169
Total non-interest income	389,405	268,257
Non-interest expense		
Compensation and benefits	370,754	377,577
Office operations	162,337	168,372
Loan servicing	70,909	80,443
Occupancy	31,505	31,808
Education and promotional	52,244	57,395
Professional and outside services	50,776	54,557
Other	36,666	46,654
Total non-interest expense	775,191	816,806
Net income	36,353	17,019
Less: net income attributable to non-controlling interests	(76)	(251)
Net income attributable to Pentagon Federal Credit Union	\$ 36,277	\$ 16,768

The accompanying notes are an integral part of these consolidated financial statements.

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
(Dollars in thousands)	2024	2023
Net income	\$ 36,353	\$ 17,019
Other comprehensive (loss) / income:		
Net unrealized gains on investment securities available-for-sale	21,121	43,329
Net unrealized gains / (losses) on cash flow hedges	39,851	(44,078)
Amounts reclassified related to cash flow hedges	(170,651)	(5,954)
Net actuarial (loss) / gain arising during the period	(3,169)	9,867
Amounts reclassified related to pension plan	725	1,443
Other comprehensive (loss) / income, net of reclassification adjustments	(112,123)	4,607
Comprehensive (loss) / income	\$ (75,770)	\$ 21,626

The accompanying notes are an integral part of these consolidated financial statements.

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Additional Paid-In Capital	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Credit Union Members' Equity	Non- Controlling Interests	Total Members' Equity
<i>(Dollars in thousands)</i>						
Balance, January 1, 2023	\$ 1,150	\$ 3,383,835	\$ 76,478	\$ 3,461,463	\$ 1,113	\$ 3,462,576
Cumulative effect from adoption of ASC 326	-	(601,794)	-	(601,794)	-	(601,794)
Net income	-	16,768	-	16,768	251	17,019
Distributions to non-controlling interests	-	-	-	-	(385)	(385)
Other comprehensive income, net of reclassification adjustments	-	-	4,607	4,607	-	4,607
Balance, December 31, 2023	\$ 1,150	\$ 2,798,809	\$ 81,085	\$ 2,881,044	\$ 979	\$ 2,882,023
Net income	-	36,277	-	36,277	76	36,353
Distributions to non-controlling interests	-	-	-	-	(299)	(299)
Other comprehensive loss, net of reclassification adjustments	-	-	(112,123)	(112,123)	-	(112,123)
Balance, December 31, 2024	\$ 1,150	\$ 2,835,086	\$ (31,038)	\$ 2,805,198	\$ 756	\$ 2,805,954

The accompanying notes are an integral part of these consolidated financial statements.

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
(Dollars in thousands)	2024	2023
Operating activities		
Net income	\$ 36,353	\$ 17,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	528,083	479,803
Depreciation, amortization, and accretion	(36,641)	143,783
Gains on sales of loans held for sale, net	(22,606)	(10,966)
(Gains)/losses on disposal of property and equipment	(4,052)	1,929
(Gains)/losses on valuation of servicing rights	(38)	13,498
Increase in cash surrender value of life insurance and Charitable Donation Account	(12,970)	(7,105)
Other adjustments, net	(1,416)	(11,072)
Loans held for sale:		
Loans originated to be sold	(1,472,900)	(2,198,034)
Proceeds from sales of loans held for sale	1,472,330	2,176,166
Other changes in loans held for sale, net	21,753	(31,728)
Net changes in:		
Accrued interest receivable	15,246	(14,606)
Other assets	24,519	(70,687)
Other liabilities	(88,488)	16,063
Net cash provided by operating activities	459,173	504,063
Investing activities		
Proceeds from paydowns of investment securities	312,900	380,175
Purchases of investment securities	(374,775)	(955,719)
Proceeds from maturities of investment securities	50,203	58,975
Net decrease in other investments	58,030	70,844
Redemptions of Charitable Donation Account assets	15,000	-
Proceeds from sales of loans held for investment	909,268	137,490
Net decrease/(increase) in loans	2,408,618	(33,493)
Purchase of property and equipment	(64,205)	(75,893)
Proceeds from disposal of property and equipment	11,127	2,755
Net increase in National Credit Union Share Insurance deposit	(5,319)	(11,117)
Other investing, net	(2,000)	1,399
Net cash provided by/(used in) investing activities	3,318,847	(424,584)
Financing activities		
Proceeds from borrowings	1,766,000	3,015,000
Repayment of borrowings	(2,947,000)	(4,922,012)
Distributions to non-controlling interests	(299)	(385)
Net (decrease)/increase in members' accounts	(2,444,782)	1,730,878
Net cash used in financing activities	(3,626,081)	(176,519)
Net increase/(decrease) in cash and cash equivalents and restricted cash	151,939	(97,040)
Cash and cash equivalents and restricted cash at beginning of year	681,660	778,700
Cash and cash equivalents and restricted cash at end of year	\$ 833,599	\$ 681,660
Supplemental disclosure of cash flow information:		
Interest paid	\$ 862,171	\$ 949,179
Supplemental disclosures of non-cash information:		
Beneficial interests received as proceeds from loan sales	\$ 23,006	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

PENTAGON FEDERAL CREDIT UNION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

(dollars in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

a) Organization and Nature of Business

Pentagon Federal Credit Union (the "Credit Union" or "PenFed") is a federal credit union that was organized and chartered on March 25, 1935, under the Federal Credit Union Act of 1934. It exists to promote thrift among its members and to create a source of credit for productive purposes. PenFed wholly owns PenFed Realty, LLC, which provides real estate brokerage services to the Credit Union's members and the general public, as well as PenFed Title, LLC, which provides real estate settlement title services to the Credit Union's members and the general public. PenFed also owns 75% of DigMed, LLC, which provides advertising services to the Credit Union and the general public. Unless the context indicates otherwise, all references to "PenFed," "the Credit Union," "we," "our," or "us" include PenFed and its respective subsidiaries. The Credit Union is regulated by the National Credit Union Administration ("NCUA").

Membership in the Credit Union is open to any individual who qualifies as defined in its charter and bylaws. The Credit Union extends credit to its members through direct negotiation with a borrower, indirectly originating loans through third parties, or by purchase of loans from other lenders. Such extensions of credit may be in the form of promissory notes, advances, mortgages, lines of credit, vehicle loans, overdrafts, and other similar obligations. The Credit Union generally services the loans it originates or purchases; however, the Credit Union may also purchase loans that are serviced by other counterparties and in certain cases where we merge to minimize operational disruptions, we allow acquirees' servicers to continue servicing the acquired loans at the time of the merger.

b) Income Taxes

The Credit Union is exempt from all federal and state income taxes, except for local real property and personal property taxes, in accordance with Section 122 of the Federal Credit Union Act (12 U.S.C. § 1768).

c) Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Where applicable, accounting policies conform with accounting and reporting guidelines prescribed by regulatory authorities. US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The most significant of these estimates and assumptions include, but are not limited to, assessment of the fair value of certain assets and liabilities (e.g., available-for-sale securities) and the allowance for credit losses ("ACL"). Actual results could materially differ from those estimates. Changes in estimates are recorded on a prospective basis in the period in which they become known.

d) Principles of Consolidation

The consolidated financial statements include the accounts of PenFed and other entities in which it has a controlling financial interest. All material intercompany accounts and transactions have been eliminated. The Credit Union does not consolidate any variable interest entities ("VIEs"), since it is not considered the primary beneficiary in any VIE in which it participates. VIEs are entities that, by design, either (i) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties; (ii) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights; (iii) do not have the obligation to absorb the expected losses; or (iv) do not have the right to receive the residual returns of the entity.

In determining whether the Credit Union is the primary beneficiary of a VIE, the Credit Union considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE, such as: its role in establishing the VIE and its ongoing rights and responsibilities; our economic interests, including debt and equity investments, servicing fees and other arrangements deemed to be variable interests in the VIE; the design of the VIE, including the capitalization structure, subordination of interests, payment priority, relative share of interests held across various classes within the VIE's capital structure and the reasons why the interests are held by the Credit Union. The Credit Union would be the primary beneficiary of a VIE only if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIEs economic performance and (ii) the obligations to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

e) Reclassifications

Certain amounts reported in previous years have been reclassified to conform to current year presentation. Reclassifications had no effect on the prior year net income or members' equity.

f) Goodwill and Intangibles

Goodwill and intangible assets with indefinite lives are evaluated annually for impairment. The Credit Union evaluates goodwill and its indefinite lived intangible asset for impairment as of October 31st on a qualitative basis, incorporating factors such as the general economic environment, industry, market considerations and its overall financial performance. If the qualitative assessment suggests a potential impairment, the Credit Union conducts a quantitative impairment test. The Credit Union evaluates goodwill for impairment at the reporting unit which is at the consolidated level.

g) Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash due from other financial institutions, interest-bearing deposits and other short-term investments with original maturities of three months or less.

Funds included in restricted cash are unavailable for withdrawal or usage. Such cash primarily include legally restricted deposits, such as:

- Earnest money deposits held in escrow while other home-buying activities (property, appraisal, inspections, etc.) are in progress;
- Cash paid to our title companies to facilitate settlement and closing transactions;
- Funds held in trust subject to fiduciary or legal restrictions.

Restricted cash is included in the total cash balances reported in the consolidated statements of cash flows, and changes in restricted cash balances are reflected in the reconciliation of beginning and ending cash amounts.

h) Investment Securities

The Credit Union's investments in debt securities are classified as available-for-sale ("AFS"). Debt securities classified as AFS are measured at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income ("AOCI"). For AFS securities that are designated in a fair value hedging relationship, the hedged portion of unrealized gains and losses is recorded in interest income.

Interest income on AFS securities is recognized using the effective interest method over the term of the securities. Premiums and discounts are amortized into interest income over the life of the security. Gains and losses on dispositions of investment securities are determined using the specific identification method and recognized as non-interest income.

i) Other Investments

The Credit Union has stock in the Federal Home Loan Bank ("FHLB") of Atlanta. The Credit Union is required to hold this stock as a condition of its membership with the FHLB. The Credit Union's total investment consists of three classes of stock: Class B3 membership stock issued to meet standby letters of credit, B2 advances activity stock, and Class B1 membership stock. Each member of the FHLB is required to own capital stock in an amount equal to the greater of a membership stock requirement, or an activity stock requirement. All stock that supports a member's activity stock requirement with the FHLB is classified as Class B2 activity stock. Any additional amount of stock necessary for the total amount of Class B stock held to equal a member's minimum investment amount will be classified as Class B1 membership stock. The Credit Union purchases Class B1 membership stock to satisfy its membership stock requirement with the FHLB. Both classes of stock are mandatorily redeemable after a 5-year notice period expires. This investment is a restricted investment and is carried at cost, which is par value, less impairment, if any.

The Credit Union also holds certificates of deposit with various banks and credit unions that are held at cost, as they are non-marketable and thus an appropriate measure of fair value. FHLB stock and certificates of deposit are evaluated for impairment annually. There was no impairment for the years ended December 31, 2024 and 2023.

j) Life Insurance

The Credit Union has purchased life insurance policies on certain members of management. These policies are recorded at the amount that could be realized under the contract at the consolidated statements of financial condition date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Credit Union accrues for the portion of the policies' death benefit owed to the employee's beneficiaries within other liabilities in the consolidated statements of financial position.

In addition, the Credit Union has made loans for life insurance premium payment to top management. The loans are collateralized by the assignment of policy death benefits and cash values, of each respective life insurance policy. The policies are owned by the executives and the executives have the right to name beneficiaries for amounts not secured by the assignments. The loans are recorded at the lower of outstanding loan balances, plus accrued interest, or the cash surrender value of the life insurance policies. The cash surrender value of the plans is included in other assets on the consolidated statements of financial condition.

k) Charitable Donation Account (CDA)

The Credit Union utilizes a Charitable Donation Account ("CDA"), in which revenues and/or gains from underlying investments are used to support charities as allowed under credit union regulations. Through the CDA, the Credit Union invests in stable value funds with an insurance company. These funds are recorded at stable value in the consolidated statements of financial condition. Changes in stable value are recognized in non-interest income. The Credit Union records a liability for charitable obligations when donation commitments are made.

l) Loans

The Credit Union's loan portfolio includes real estate (mortgage and equity), commercial, vehicle, credit cards and other consumer loans. Other consumer loans consist of personal lines of credit and education loans. At the time of origination or acquisition, loans are classified as either held for investment ("HFI") or held for sale ("HFS").

Loans Held for Investment

Loans are classified as HFI when the Credit Union has both the intent and ability to hold the loan for the foreseeable future, until maturity, or payoff. The Credit Union's intent and view of the foreseeable future may change based on changes in business strategies, the economic environment, market conditions and the availability of government programs.

The loans held for investment primarily are reported at their amortized cost, excluding accrued interest, which is the loan's unpaid principal balance (UPB), adjusted for accretion, amortization, collection of cash, charge-offs and allocated fair value hedge basis accounting adjustments. Fair value hedge accounting adjustments are allocated to the amortized cost of loans HFI upon the discontinuance of a hedge accounting relationship. Loan fees and certain direct loan origination costs, which are included in amortized cost, are deferred, and amortized as an adjustment to interest income over the term of the loans, using the effective interest method. Loan fees and certain direct loan origination costs related to credit cards are amortized on a straight-line basis over twelve months.

The Credit Union elected the fair value option for certain mortgage and commercial loans. Changes in fair value are recognized in other non-interest income. Loan fees, certain direct loan origination costs and transaction costs are immediately recognized to other non-interest income. Interest income represents the amount contractually due. Any transaction fees or costs, are immediately recognized into other noninterest income in the Credit Union's consolidated statements of income.

Past Due Loans

Past due loans are those where the borrower fails to make a contractual payment by its due date.

Nonaccrual Loans

Interest accruals are discontinued on loans when management believes, after considering economic factors, business conditions and collection efforts, that the collection of principal and interest is doubtful. The Credit Union considers the following additional factors when determining the discontinuation of interest accruals:

- The loan is 90 days or more past due its contractual terms;
- The borrower has filed for bankruptcy;
- The borrower becomes deceased.

Uncollected accrued interest is reversed against interest income the same month a loan is placed on nonaccrual status. Amortization of premiums and accretion of discounts is discontinued. All cash collections received while a loan is on nonaccrual status are applied to the loan's amortized cost, until there is no longer any doubt regarding full collectability of the amortized cost of the loan. The loans are then returned to accrual status when the customer demonstrates the ability to repay the obligation, which is generally after six consecutive timely payments and the member is current.

Loans accounted for under the fair value option and loans held for sale are considered nonaccrual loans if the nonaccrual criteria are met. Credit card loans that are contractually 90 days or more past due that have not been put on nonaccrual status are typically charged off at 180 days, which is consistent with regulatory guidelines.

Loans Held for Sale

Loans that the Credit Union intends to sell, or for which it does not have the intent and ability to hold for the foreseeable future, are classified as loans HFS. Real estate loans originated with the intent to sell to government-sponsored enterprises are accounted for under the fair value option. The Credit Union elected the fair value option on these loans HFS as part of its management of interest rate risk. All other loans classified as HFS are recorded at the lower of cost or fair value.

Loan origination fees and direct loan origination costs related to loans HFS, for which the fair value option was elected, are recognized as incurred and are reported within mortgage banking activities in the consolidated statements of income. Interest income is calculated based on the loan's stated rate of interest and is reported within interest income, in the consolidated statements of income. Fair value adjustments attributable to loans HFS, or loans in which the fair value option has been elected, are recorded within mortgage banking activities, in the consolidated statements of income.

Loan origination fees, direct loan origination costs, and any discounts and premiums related to loans HFS, are measured at the lower of cost or fair value, are deferred until the loan is sold and are then recognized as part of the total gain or loss on sale. The fair value of loans HFS is determined on an aggregate portfolio basis for each loan type.

If the Credit Union changes its intent that results in a reclassification of loans HFI to loans HFS, such reclassified loans are recorded at the lower of cost or fair value, less estimated selling costs on the date of redesignation, unless the impacted loans are under the fair value option. Any declines in fair value due to credit risk are recorded as a charge-off to the ACL at the time of transfer. This excludes transfers of loans carried at fair value under the fair value option.

Loans HFS are typically sold with servicing rights retained and are generally sold without recourse, other than customary representations and warranties. The Credit Union recognizes the sale of loans when they are legally isolated from the Credit Union and its creditors, the transferee has the right to pledge or exchange the loans and the Credit Union no longer maintains effective control over the loans. Gains and losses on sales are recorded as the difference between the total consideration received and the amortized cost of the loans sold. Total consideration received typically includes cash, beneficial interests in the sold loans, and in certain situations, servicing rights retained.

Loan Modifications

Financial difficulty modifications ("FDMs") are loan modifications to a borrower who is experiencing financial difficulty in repaying their financial obligation that results in either a new loan, or a continuation of the existing loan. Deferred loan origination fees and costs will continue to be amortized if it is determined that the modification is concluded to be a continuation of an existing loan or will be immediately recognized into non-interest income if it is determined that a new loan exists. A new loan would exist if there were a 10% or more change in cash flows resulting from the modification, or if the modification is more than minor, based on the specific facts and circumstances (and other relevant considerations) surrounding the modification.

m) Allowance for Credit Losses ("ACL")

Loans Held for Investment

We maintain an allowance for credit losses ("allowance") that represents management's current estimate of expected credit losses over the contractual terms of our loans held for investment. We measure the allowance on a quarterly basis through consideration of past events, including historical experience, current conditions, and reasonable and supportable forecasts.

We measure current expected credit losses over the contractual terms of our loans. The contractual terms are adjusted for expected prepayments but are not extended for renewals or extensions, except when an extension or renewal arises from a borrower option that is not unconditionally cancellable.

We aggregate loans sharing similar risk characteristics into pools, for purposes of measuring expected credit losses. Pools are periodically reassessed to confirm that all loans within each pool continue to share similar risk characteristics. Expected credit losses for loans that do not share similar risk characteristics with other financial assets are measured individually.

Expected recoveries of amounts previously charged off, or expected to be charged off, are recognized within the allowance, with a corresponding reduction to our provision for credit losses. At times, expected recoveries may result in a negative allowance. We limit the allowance recovery expectations to amounts previously charged off and expected to be charged off. Charge-offs of uncollectible amounts result in a reduction to the allowance; whereas recoveries of previously charged off amounts result in an increase to the allowance.

When developing an estimate of expected credit losses, we use both quantitative and qualitative methods in considering all available information relevant to assessing collectability. This may include internal information, external information, or a combination of both relating to past events, current conditions and reasonable and supportable forecasts. Significant judgment is applied to the development and duration of reasonable and supportable forecasts used in our estimation of lifetime losses. The Credit Union utilizes a forecast that extends over the contractual term of the loans, and which it considers reasonable and supportable for the life of the loan. This forecast uses historical information and takes into consideration current conditions and economic expectations before converging to a long-run trend.

Management will consider qualitative adjustments for conditions, changes and trends in loan portfolios that may not be captured in modeled results. These adjustments are referred to as qualitative factors and represent management's judgment of the imprecision and risks inherent in the processes and assumptions used in establishing the allowance for credit losses. Management's judgment may involve an assessment of current and forward-looking conditions including, but not limited to, changes in lending policies and procedures, nature and volume of the portfolio, external factors and uncertainty as it relates to economic, model, or forecast risks, where not already captured in the modeled results.

Expected credit losses for collateral-dependent loans are based on the fair value of the underlying collateral, less expected costs to sell. A loan is deemed to be a collateral-dependent loan when: (i) we determine foreclosure or repossession of the underlying collateral is probable, or (ii) foreclosure or repossession is not probable, but the borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the sale of the collateral. The allowance for a collateral-dependent loan reflects the difference between the loan's amortized cost and the fair value (less estimated selling costs, where applicable) of the loan's underlying collateral.

Our consumer and mortgage portfolio segments consist of smaller-balance, homogeneous loans. The consumer segment is comprised of credit cards, auto loans and other consumer loan products. Our real estate portfolio segment is comprised of mortgage loans and home equity products. We assess our mortgage and consumer portfolio segments based on common risk characteristics such as origination year, contract type and borrower credit score. Our commercial portfolio segment is primarily composed of commercial real estate loans. These loans are subject to reviews that result in internal risk classifications. In assessing the risk classification of a particular commercial loan, among the factors we consider are the financial condition of the borrower, collateral performance, historical loss experience and industry-specific information that management believes is relevant in determining and measuring expected credit losses. Subjective assessment and interpretation are involved.

For consumer, mortgage, and commercial loans, the contractual period typically does not include renewals or extensions, because the renewals and extensions are generally not at the borrower's exclusive option to exercise. The undrawn credit exposure associated with our credit card loans is unconditionally cancellable. For this reason, expected credit losses on credit card loans are measured based only on the drawn balance at each quarterly measurement date and not on the undrawn exposure. Because credit card loans do not have a defined contractual life, management estimates both the volume and application of payments, to determine a contractual life of the drawn balance at the measurement date, over which expected credit losses are developed.

We have made a policy election to not measure an allowance on accrued interest for loans held for investment, because we reverse uncollectible accrued interest in a timely manner.

The allowance related to consumer and mortgage loans assessed on a pooled basis is based on a modeled calculation, which is supplemented by management judgment as described above. Because of the homogeneous nature of our consumer loan portfolios, the allowance is based on the aggregated portfolio segment evaluations. The allowance is established through a process that begins with estimates of historical losses in each pool based on statistical analyses adjusted for current conditions and reasonable and supportable forecasts of future conditions, including expected economic conditions. Loss forecast models are utilized to estimate expected credit losses and consider several portfolio indicators including, but not limited to, expected economic conditions, historical loss experience, account seasoning, the fair value of collateral underlying secured loans, estimated foreclosures or defaults based on observable trends, delinquencies, and general business trends. Management also considers an evaluation of overall portfolio credit quality based on indicators such as changes in our credit evaluation, underwriting and collection management policies, the effect of other external factors such as competition and legal and regulatory requirements, general economic conditions and business trends, and uncertainties in forecasting and modeling techniques used in estimating our allowance.

The allowance related to commercial loans assessed on a pooled basis is based on our historical loss experience for loans with similar risk characteristics and consideration of the current credit quality of the portfolio, which is supplemented by management judgment as described above. These are adjusted for current conditions, and reasonable and supportable forecasts of conditions likely to cause future losses, which may vary from historical levels. Management may also apply judgment to adjust the derived loss factors, taking into consideration both quantitative and qualitative factors, including general economic conditions, industry-specific and geographic trends, portfolio concentrations, trends in internal credit quality indicators and current and past underwriting standards that have occurred, but are not yet reflected in the historical data underlying our loss estimates.

Off-Balance Sheet Credit Exposures

We also measure expected credit losses related to unfunded lending commitments that are not unconditionally cancellable. This primarily consists of unfunded exposures related to home equity lines of credit, certain personal lines of credit and commercial real estate loans. This reserve is measured using the same measurement objectives as the allowance for credit losses and is recorded within other liabilities, on our consolidated statements of financial condition.

AFS Securities

The Credit Union evaluates each individual security in its portfolio for impairment on a quarterly basis. Impairment exists when the fair value of the AFS debt security is less than its amortized cost. If management intends to sell a security in an unrealized loss position, or it is more likely than not that it will be required to sell the security before expected recovery of its amortized cost, it is written down to fair value with the loss recognized in earnings. If management does not intend to sell a security, and it is not more likely than not that the Credit Union will be required to sell the security before expected recovery, the Credit Union then determines if the unrealized loss is due to credit deterioration and if so, records an allowance for credit losses and corresponding provision through the consolidated statements of income. The amount of the allowance of credit loss is limited to the security's unrealized loss as of the reporting date. Any remaining unrealized losses that are not credit-related remain in AOCI until realized.

Charge-Offs and Recoveries

Closed-end consumer loans such as auto loans are charged-off at 120 days past due unless the Credit Union can demonstrate that repossession of the collateral is in-process and assured. Open-end consumer loans such as credit cards and certain personal loans are charged-off at 180 days past due. Mortgage loans are charged-off to the estimated fair value of the collateral, less estimated selling costs, at 180 days past due. Commercial loans are charged-off when all or a portion of the loan is deemed uncollectible. Expected recoveries of amounts previously charged-off are estimated as part of the allowance for credit losses and are recorded as an increase to the allowance when received.

n) Servicing Rights

Servicing rights are recognized as separate assets (or liabilities) when loans are sold and the Credit Union retains the right to service these sold loans, for a servicing fee that provides more (or less) than adequate compensation. A servicing asset is recorded when the benefits of servicing are greater than adequate compensation, while a servicing liability is recorded if the benefits of servicing are less than adequate compensation. No asset or liability is recognized, if the benefits of servicing are equal to adequate compensation. The Credit Union measures its servicing rights at fair value upon sale as part of the gain or loss on sale. Changes in fair value are recorded in mortgage banking activities within non-interest income.

o) Foreclosed and Repossessed Assets

The Credit Union records assets acquired through foreclosure proceedings, deed in lieu or repossessions at fair value on the date of acquisition, net of estimated selling costs, resulting in a new cost basis. Physical possession of residential real estate collateralizing a mortgage loan occurs when legal title is obtained upon completion of the foreclosure or when the borrower conveys all interest in the property to satisfy the loan through a deed-in-lieu of foreclosure or through a similar legal agreement. The difference between the loan's amortized cost and its fair value is recorded as a charge-off through the ACL. The fair value of real estate owned ("REO") and repossessed assets is determined using automated valuation models, broker price opinions and full independent appraisals. Carrying costs, such as real estate taxes, insurance, maintenance and utilities, are expensed as incurred. After foreclosure, REO is carried at the lower of cost or fair value, less estimated costs to sell within other assets in the consolidated statements of financial condition.

p) Property and Equipment, net

Property and Equipment

Property and equipment (excluding land) is stated at cost, which includes asset additions, improvements, betterments and interest capitalized during the period of construction, less accumulated depreciation. The cost and related accumulated depreciation are eliminated from the accounts when assets are disposed. Any resulting gain or loss is reflected within other non-interest income, in the consolidated statements of income. Leasehold improvements are amortized over the lesser of the estimated economic life of the improvements, or the remaining term of the lease. Depreciation and amortization are calculated based on the cost of the asset, reduced by the asset's estimated residual or salvage value, using the straight-line method. Ranges of estimated useful lives of depreciable and finite intangible assets used by the Credit Union are shown below. Land is stated at cost and is not depreciated.

Classification of property and equipment	Estimated useful life
Buildings and improvements	5 to 50 years
Furniture and fixtures	3 to 8 years
Computer equipment	3 to 10 years
Computer software	3 to 10 years
Leasehold improvements	1 to 10 years
Aircraft equipment	20 years

Internal-Use Software

The Credit Union purchases, internally develops and customizes certain software to enhance or perform internal business functions. Qualifying software development and implementation costs are capitalized and amortized, using the straight-line method, over the useful life of the developed software. Costs related to purchased software, as well as internally developed software for the Credit Union's internal use, are capitalized during the application development stage for capitalizable costs, such as coding. Capitalization of internally developed software costs ends when the software is ready for its intended use. Significant improvements that add new functionality to internal-use software assets are capitalized and amortized when the software is placed into service. Nonqualifying costs are expensed as they are incurred (e.g., maintenance and repair expenditures that do not add new functionality, preliminary stage project costs such as project planning and post-implementation stage costs including training, maintenance after implementation, and data conversion).

If a cloud computing arrangement does not include a software license element (considered to be an internal-use software asset), the Credit Union accounts for the arrangement as a software as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred. If the Credit Union enters into a subscription agreement, the cost is immediately expensed or recorded as a prepaid asset until the subscription takes effect. US GAAP generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract, with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license element as defined further below.

If the Credit Union has entered a cloud computing arrangement that is a service contract, it is required to capitalize certain implementation costs as if the arrangement were an internal-use software project. The internal-use software guidance requires the capitalization of certain costs typically incurred only during the application development stage (e.g., costs of integration with on-premises software, coding, configuration, customization). The internal-use software guidance also requires the Credit Union to expense costs during the preliminary project and post-implementation stages (e.g., costs of project planning, training, maintenance after implementation, data conversion) as they are incurred.

Leases

Lease classification is determined at inception for all lease transactions with an initial term greater than one year. Operating leases are included as right-of-use assets within property and equipment; operating lease liabilities are classified as other liabilities, in the consolidated statements of financial condition. The Credit Union does not have any finance leases. Operating lease expense is included non-interest expense, in its consolidated statements of income.

q) National Credit Union Share Insurance Fund (“NCUSIF”) Deposit

Per NCUA regulations, the Credit Union is required to maintain a deposit in the NCUSIF equal to one percent of the Credit Union's insured shares. The deposit is refunded to us if: (1) the insurance coverage is terminated; (2) the Credit Union converts to insurance coverage from another source; or (3) the operations of the fund are transferred from the NCUA Board.

r) Comprehensive Income

Accounting principles generally require revenue, expenses, gains and losses to be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on investment securities, gains and losses on cash flow hedge derivatives and pension-related adjustments are reported as a separate component of members' equity, in the consolidated statements of financial condition.

s) Revenue Recognition

ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"), requires an entity to recognize revenue from the transfer of goods or services to customers in an amount that reflects the consideration as performance obligations are satisfied. The majority of its revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments past due, such as its loans, investment securities and mortgage lending income, as these activities are subject to other US GAAP discussed elsewhere within its disclosures. Descriptions of its significant revenue-generating activities that are within the scope of ASC Topic 606, which are presented within its consolidated statements of income as components of non-interest income, are as follows:

Commissions – The Credit Union receives brokerage commission for realty services in selling, buying, or leasing a property. Each service is considered a distinct, stand-alone performance obligation, representing the bundled services that culminate when the sales (or lease) agreement is executed, representing the point in time when payments and title change hands, allowing the customer to obtain control.

Interchange Fees – These fees are charged to the merchant for participation in the Credit Union's card network ecosystem. The Credit Union is the principal in providing this service, and interchange revenue will be recognized at a point in time on a gross basis as the Credit Union approves the transactions and transfers funds, while fees paid will be classified as an expense. Credit card rewards and rebate costs are consideration paid to the cardholder, not a merchant bank, and are considered separate expenses not recorded net of interchange fees.

Core Service Charges – These represent fee revenue from membership services as a series, where the Credit Union's only performance obligation is to serve as custodian, providing access to funds as necessary. This performance obligation is satisfied over time, utilizing the time-based output method.

Insurance Placement Fee – The Credit Union engages with insurance companies to place its members in insurance products, for which it receives a commission from the insurance policy issuer. The Credit Union does not recognize any revenue pertaining to renewal as commissions arising from member renewals is deemed to be fully constrained until uncertainty is resolved (e.g., member renews for ongoing commission income).

Sales of REO and Other Assets – The Credit Union defines an accounting sale with full gain or loss recognition, and related asset derecognition, if the transaction meets certain requirements.

t) Fair Value of Assets and Liabilities

Fair value represents the exit price that the Credit Union would receive to sell an asset or pay to transfer a liability, in an orderly transaction with a market participant at the measurement date. Fair value measurements are disclosed by level within a fair value hierarchy that gives the highest priority to quoted prices in active markets.

The Credit Union's estimated fair value amounts are made as of the consolidated statements of financial condition date and are highly subjective in nature. The Credit Union selects assumptions and inputs from a market participant's perspective, to use with any of its valuation estimates. Such assumptions and inputs include, but are not limited to, the amount and timing of future cash flows, expected interest rate volatility, possible distributions of future interest rates used to value options and the selection of discount rates that appropriately reflect market and credit risks. Significant judgment is required when selecting such assumptions and inputs. Using different assumptions and inputs could have a material effect on the Credit Union's estimated fair value amounts. The estimated fair value amounts presented in the Credit Union's consolidated statements of financial condition and disclosed in the notes to the consolidated financial statements may not be indicative of the amounts that would be realized upon settlement in current market transactions.

The Credit Union uses various valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset/liability, or unobservable, meaning those that reflect the Credit Union's own assumptions developed, based on the best information available in the circumstances.

The fair value hierarchy is as follows:

Level 1 - Valuations for assets and liabilities traded in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from observable inputs other than Level 1 prices such as: quoted prices for similar assets or liabilities; quoted prices in markets that are not active; other inputs that are observable, or can be corroborated by observable market data, for substantially the full term of the assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations have certain assumptions and projections, which require significant management judgment or estimation in determining the fair value assigned to such assets or liabilities.

u) Derivative Instruments

A derivative is a financial instrument that derives its value from changes in an underlying instrument, index, or referenced interest rate. These instruments include interest rate swaps (including swaptions), caps, floors, collars, forwards, futures contracts and when-issued securities, as examples. All derivatives are reported at fair value.

The Credit Union presents derivative assets and liabilities on a net basis within other assets and other liabilities, respectively, in its consolidated statements of financial condition when a legally enforceable right of offset exists. The Credit Union includes accrued net interest settlements and cash collateral in the carrying amount of a derivative. Over-the-counter derivatives are netted by contract (e.g., master netting agreement), to discharge all or a portion of the amounts that would be owed to the Credit Union's counterparty by applying them against the amounts that our counterparty owes to the Credit Union.

Accounting Hedges

Derivative financial instruments which qualify for hedge accounting treatment are classified as either fair value hedges or cash flow hedges. A qualifying hedge accounting relationship exists, when a derivative hedging instrument is expected to effectively offset changes in the fair values or cash flows of the hedged item, during the term of the hedge relationship. The Credit Union prepares contemporaneous documentation at inception of the hedge relationship, to support that the hedge relationship qualifies for hedge accounting treatment and assesses hedge effectiveness on an ongoing basis.

Fair value hedges are used to protect against exposure to changes in the fair value of a recorded asset or liability. Changes in the fair value of the derivative instrument and hedged item in a fair value hedge are recorded within the same line item, either interest income or interest expense, in the consolidated statements of income. The Credit Union uses portfolio-layer hedges, which are a type of fair value hedge, to manage interest rate risk related to its mortgage portfolio. This strategy entails designating a closed-end pool of mortgages as the hedged item, in which the Credit Union uses one or more derivatives to hedge the expected remaining cash flows associated with the closed-end pool. The impact of prepayment and default risk are not considered in measuring for hedge effectiveness. Basis adjustments associated with portfolio-layer hedges are maintained on a portfolio basis (that is, they are not allocated to individual assets). The Credit Union also enters fair value hedges of certain of its AFS debt securities. Since AFS debt securities are measured at fair value in other comprehensive income ("OCI"), the adjustment of the AFS security's carrying amount, attributable to the risk being hedged, is recognized in interest income to offset the gain or loss on the hedging instrument. The remaining portion of the AFS security's fair value, unrelated to the hedged risk, continues to be recognized in AOCI.

The Credit Union may elect to prospectively discontinue (or partially discontinue) hedge accounting, for all or a portion of the hedged layer, for one or more hedging relationships associated with the closed portfolio at any time, if a breach has not occurred and a breach is not anticipated. A breach occurs when the outstanding notional amount of hedging instruments is greater than the outstanding amount of the closed-end portfolio being hedged. If multiple hedged layers are associated with the closed portfolio, the Credit Union may voluntarily elect to discontinue hedge accounting (or partially discontinue hedge accounting) related to any hedged items associated with that closed portfolio. If the hedging relationship is voluntarily discontinued (or partially discontinued), the outstanding basis adjustment associated with the de-designated amount is to be allocated to the remaining individual assets in the closed portfolio that supported the de-designated hedged layer, using a systematic and rational method. The Credit Union amortizes those amounts consistent with the amortization of other discounts or premiums associated with the respective assets using the effective interest method.

Cash flow hedges are used to protect against exposure to changes in the cash flows of a recognized asset, liability, or forecasted transaction. If a cash flow hedge is highly effective, changes in the fair value of the hedging instrument are recognized in AOCI. These amounts are reclassified into earnings in the period when the hedged cash flows impact earnings. If the cash flow hedge ceases to be highly effective, the Credit Union discontinues hedge accounting and recognizes the changes in fair value in non-interest income.

At inception and at least quarterly during the life of the hedge, the Credit Union documents its analysis of actual and expected hedge effectiveness.

If a derivative that qualifies as a fair value or cash flow hedge is terminated or de-designated, the realized or then unrealized gain or loss is recognized in income over the life of the hedged item (fair value hedge), or in the period in which the hedged item affects earnings (cash flow hedge). Immediate recognition in earnings is required upon sale or extinguishment of the hedged item (fair value hedge), or if it is probable that the hedged cash flows will not occur (cash flow hedge).

Economic Hedges

Derivatives not designated as an accounting hedge are considered an economic hedge. While these derivatives mitigate risk, they do not qualify for hedge accounting and therefore their fair value changes are recognized in non-interest income. The Credit Union uses economic hedges to manage exposure to interest rate risk and other market fluctuations.

v) Pension Accounting and Retirement Benefit Plans

The Credit Union sponsors a defined benefit pension plan, 401(k) deferred contribution, postretirement medical plan and non-qualified supplemental retirement plan.

The funding status of each defined benefit plan is reflected as an asset or liability, in the consolidated statements of financial condition. US GAAP requires an employer to recognize the overfunded or underfunded status of defined benefit pension and other postretirement plans, measured as the difference between the fair value of plan assets and the projected benefit obligation, as an asset or liability, in the consolidated statements of financial condition. Unrecognized actuarial gains and losses and unrecognized prior service costs are included as a component of AOCI.

Actuarial gains and losses and prior service costs and credits that arise during a period are included in OCI, to the extent they are not included in net periodic pension cost (a component of compensation and benefits expense). Settlements are recognized into non-interest expense when settlement payouts exceed service cost, plus interest cost. In such cases, a remeasurement event has occurred, and the net periodic pension cost is recalculated for the remainder of the calendar year.

w) Borrowed Funds

The Credit Union is an active borrower with the Federal Home Loan Bank of Atlanta ("FHLB"). Borrowing from the FHLB takes the form of various types of advances, which vary in tenor (up to 30 years) and rate structure (fixed, floating). Each advance is separately negotiated and accounted for as a separate agreement and carried at the amount of proceeds received from the FHLB. From time to time, the Credit Union may restructure advances for the purpose of extending the term or obtaining a lower interest rate. Restructurings are accounted for as an extinguishment when the modified terms of the borrowing are substantially different than the original terms; otherwise, they are treated as a modification. In cases of a modification, all costs paid to the FHLB are deferred and amortized over the term of the modified borrowing. In cases of an extinguishment, all costs paid to the FHLB are expensed in the period. In other situations, the Credit Union holds a symmetrical prepayment option, which allows prepayment of an advance at an amount lower than face value. These prepayments are treated as extinguishments when there is no contemporaneous new borrowing with the FHLB, and the amount of the discount is recorded as a gain, in the consolidated statements of income.

x) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Credit Union's cash and cash equivalents and restricted cash reported within the consolidated statements of financial condition and the consolidated statements of cash flows were as follows:

	December 31,	
	2024	2023
Funds with Federal Reserve bank	\$ 627,731	\$ 454,357
Funds on hand and on deposit with other financial institutions	69,193	102,123
Deposits in transit	132,374	120,173
Cash and cash equivalents	829,298	676,653
Restricted cash	4,301	5,007
Total cash and cash equivalents and restricted cash	\$ 833,599	\$ 681,660

NOTE 3 – INVESTMENT SECURITIES

The following tables summarize the allowance for credit losses, amortized cost, and fair value of AFS securities at December 31, 2024 and 2023, and the corresponding amounts of gross unrealized gains and losses recognized in AOCI:

December 31, 2024					
AFS debt securities	Allowance for Credit Losses	Amortized Cost	Gross Unrealized		Fair Value
			Gains	Losses	
Federal agency securities	\$ -	\$ 189,763	\$ -	\$ (15,670)	\$ 174,093
Government agency bonds	-	266,378	-	(10,668)	255,710
Mortgage-backed securities	-	2,814,133	5,604	(183,678)	2,636,059
US government obligations	-	29,571	-	(125)	29,446
Asset-backed securities	-	25,621	21	(64)	25,578
Other	-	24,274	-	(87)	24,187
Total	\$ -	\$ 3,349,740	\$ 5,625	\$ (210,292)	\$ 3,145,073

December 31, 2023					
AFS debt securities	Allowance for Credit Losses	Amortized Cost	Gross Unrealized		Fair Value
			Gains	Losses	
Federal agency securities	-	\$ 199,761	\$ -	\$ (20,260)	\$ 179,501
Government agency bonds	-	326,673	89	(11,793)	314,969
Mortgage-backed securities	-	2,767,427	2,185	(195,138)	2,574,474
Asset-backed securities	-	11,137	-	(113)	11,024
Other	-	37,651	-	(758)	36,893
Total	\$ -	\$ 3,342,649	\$ 2,274	\$ (228,062)	\$ 3,116,861

The contractual maturities of the Credit Union's AFS securities on December 31, 2024 and 2023 are detailed in the following table (actual maturities may differ from contractual maturities as certain security issuers have the right to prepay obligations without penalty):

December 31, 2024		
AFS debt securities	Amortized Cost	Fair Value
Due in one year or less	\$ 76,155	\$ 75,009
Due after one year through five years	516,982	495,525
Due after five years through ten years	1,632,795	1,610,923
Due after ten years	1,123,808	963,616
Total	\$ 3,349,740	\$ 3,145,073

December 31, 2023		
AFS debt securities	Amortized Cost	Fair Value
Due in one year or less	\$ 51,566	\$ 50,948
Due after one year through five years	479,136	449,510
Due after five years through ten years	1,481,159	1,453,316
Due after ten years	1,330,788	1,163,087
Total	\$ 3,342,649	\$ 3,116,861

The following table presents AFS securities in a gross unrealized loss position, and whether such securities have been in a gross unrealized loss position for less than 12 months, or 12 months or greater:

December 31, 2024						
Less than 12 Months				12 Months or Greater		
AFS debt securities	Number of Investments	Fair Value	Gross Unrealized Losses	Number of Investments	Fair Value	Gross Unrealized Losses
Federal agency securities	-	\$ -	\$ -	20	\$ 174,093	\$ (15,670)
Government agency bonds	3	17,984	(43)	36	237,726	(10,625)
Mortgage-backed securities	3	60,506	(258)	240	1,496,691	(183,420)
US government obligations	1	29,446	(125)	-	-	-
Asset-backed securities	5	11,869	(52)	4	4,498	(12)
Other	-	-	-	3	24,187	(87)
Total	12	\$ 119,805	\$ (478)	303	\$ 1,937,195	\$ (209,814)

December 31, 2023						
Less than 12 Months				12 Months or Greater		
AFS debt securities	Number of Investments	Fair Value	Gross Unrealized Losses	Number of Investments	Fair Value	Gross Unrealized Losses
Federal agency securities	-	\$ -	\$ -	21	\$ 179,501	\$ (20,260)
Government agency bonds	7	127,918	(698)	29	165,805	(11,095)
Mortgage-backed securities	22	504,518	(2,424)	240	1,605,232	(192,714)
Asset-backed securities	-	-	-	5	10,534	(113)
Other	-	-	-	4	36,893	(758)
Total	29	\$ 632,436	\$ (3,122)	299	\$ 1,997,965	\$ (224,940)

During the years ended December 31, 2024 and 2023, management determined that there was no expected credit losses related to securities in an unrealized loss position. This analysis considered a variety of factors including, but not limited to, performance indicators of the issuer, default rates, industry analyst reports, credit ratings, and other relevant information, which indicated that all contractual cash flows are expected to occur. As a result of this evaluation, management determined that no allowance for credit losses was required on December 31, 2024, and December 31, 2023. Additionally, as of December 31, 2024 and December 31, 2023, we did not have the intent to sell any AFS securities in an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost.

Other Investments

Other investments are summarized as follows:

Other Investments	December 31,	
	2024	2023
Paid-in Capital Account	\$ 5,947	\$ 6,076
FHLB Stock	52,913	109,818
Investments in CDs	-	996
Total	\$ 58,860	\$ 116,890

Paid-in Capital Account

The Credit Union maintains paid-in capital accounts with corporate credit unions. These investments are uninsured and are paid back to the Credit Union at the discretion of the corporate credit union.

FHLB Stock

The Credit Union has an investment in the FHLB of Atlanta. The amortized cost or par value represents fair value. This investment is carried at cost, which is par value, less impairment, if any.

Investments in CDs

The Credit Union holds certificates of deposit with various banks and credit unions that are held at cost since they are non-marketable.

NOTE 4 – LOANS

The composition of the Credit Union's loans HFI, by loan type and delinquency, as of December 31, 2024 and 2023 are shown below:

December 31, 2024						
Loans Held for Investment, at Amortized Cost	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Delinquent Loans	Total
Real estate ⁽¹⁾	\$ 14,307,394	\$ 71,177	\$ 33,628	\$ 109,021	\$ 213,826	\$ 14,521,220
Commercial	1,286,809	352	23,958	-	24,310	1,311,119
Vehicle	3,655,677	82,032	19,061	7,406	108,499	3,764,176
Credit cards	1,944,334	26,837	20,808	56,370	104,015	2,048,349
Consumer and other	3,113,476	30,691	21,154	18,464	70,309	3,183,785
Fair value hedge basis adjustments ⁽¹⁾	-	-	-	-	-	(75,709)
Total ⁽²⁾	\$ 24,307,690	\$ 211,089	\$ 118,609	\$ 191,261	\$ 520,959	\$ 24,752,940

December 31, 2023						
Loans Held for Investment, at Amortized Cost	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total Delinquent Loans	Total
Real estate ⁽¹⁾	\$ 15,194,711	\$ 32,514	\$ 17,187	\$ 53,174	\$ 102,875	\$ 15,297,586
Commercial	1,704,823	64	-	1,119	1,183	1,706,006
Vehicle	4,995,828	137,182	48,560	24,493	210,235	5,206,063
Credit cards	2,239,485	70,738	28,524	82,717	181,979	2,421,464
Consumer and other	4,000,521	46,904	30,824	30,330	108,058	4,108,579
Fair value hedge basis adjustments ⁽¹⁾	-	-	-	-	-	(38,063)
Total ⁽²⁾	\$ 28,135,368	\$ 287,402	\$ 125,095	\$ 191,833	\$ 604,330	\$ 28,701,635

⁽¹⁾ The amortized cost includes unamortized basis adjustments of \$(188,505) and \$(105,537) as of December 31, 2024 and 2023, respectively, related to terminated fair value hedge relationships.

⁽²⁾ Loans include unamortized premiums, discounts, and deferred fees and costs totaling \$125,170 and \$68,615 as of December 31, 2024 and 2023, respectively.

Non-accrual loans HFI, at amortized cost, by loan type are shown below:

December 31, 2024			
Loans Held for Investment, at Amortized Cost	Non-accrual Loans	90+ Days Past Due and Accruing	With No Allowance Recorded
Real estate	\$ 169,289	\$ -	\$ -
Commercial	161,923	-	-
Vehicle	35,927	-	-
Credit Cards	-	56,370	-
Consumer and other	36,199	-	-
Total	\$ 403,338	\$ 56,370	\$ -

December 31, 2023			
Loans Held for Investment, at Amortized Cost	Non-accrual Loans	90+ Days Past Due and Accruing	With No Allowance Recorded
Real estate	\$ 106,704	\$ -	\$ -
Commercial	294,416	-	674
Vehicle	77,790	-	-
Credit Cards	-	58,564	-
Consumer and other	50,272	-	-
Total	\$ 529,182	\$ 58,564	\$ 674

The Credit Union had commercial real estate loans carried at their collateral value of \$107,700 and \$141,274 as of December 31, 2024 and 2023, respectively.

Loan Modifications

As part of its loss mitigation efforts, we may provide short-term (one to twelve months) or long-term (greater than twelve months) modifications to a borrower experiencing financial difficulty to improve long-term collectability of the loan and to avoid the need for repossession, or foreclosure, of collateral. For both 2024 and 2023, real estate combination modifications primarily reflect interest rate reduction and payment delay and commercial loan combination modifications reflect interest rate reduction and term extension.

The following tables present the amortized cost basis of loans at December 31, 2024 and 2023 that were FDMs during the years ended December 31, 2024 and 2023, by class and type of modification. The percentage of the amortized cost basis of FDMs compared to the amortized cost basis of each class of loans is also presented below:

December 31, 2024						
Loan FDMs	Loans by Modification Type					
	Term Extension	Payment Delay	Interest Rate Reduction	Combination	Total	% of Loan Class
Real estate	\$ 12,075	\$ 4,629	\$ 4,346	\$ 7,348	\$ 28,398	0.20%
Commercial	-	-	-	51,096	51,096	3.90%
Vehicle	-	26,010	-	-	26,010	0.69%
Credit cards	-	-	-	-	-	0.00%
Consumer and other	10,156	7,122	-	-	17,278	0.54%
Total	\$ 22,231	\$ 37,761	\$ 4,346	\$ 58,444	\$ 122,782	0.50%

December 31, 2023						
Loan FDMs	Loans by Modification Type					
	Term Extension	Payment Delay	Interest Rate Reduction	Combination	Total	% of Loan Class
Real estate	\$ 18,747	\$ 6,859	\$ 1,347	\$ 11,358	\$ 38,311	0.25%
Commercial	143,928	-	-	98,024	241,952	14.18%
Vehicle	-	3,408	-	-	3,408	0.07%
Credit cards	-	-	-	-	-	0.00%
Consumer and other	8,220	1,248	-	-	9,468	0.23%
Total	\$ 170,895	\$ 11,515	\$ 1,347	\$ 109,382	\$ 293,139	1.02%

The following table presents the financial effect of modifications to borrowers experiencing financial difficulty, along with weighted average interest rate reduction, term extension and payment delay, as of December 31, 2024 and December 31, 2023:

December 31, 2024			
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Weighted-Average Payment Delay (in Months)
Financial Effect of Loan FDMs			
Real estate	1.55%	96	11
Commercial	1.60%	33	-
Vehicle	-	-	8
Credit cards	-	-	-
Consumer and other	-	11	8

December 31, 2023			
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in Months)	Weighted-Average Payment Delay (in Months)
Financial Effect of Loan FDMs			
Real estate	1.03%	110	9
Commercial	4.31%	16	-
Vehicle	-	-	8
Credit cards	-	-	-
Consumer and other	-	10	10

We monitor loan performance trends, including FDMs, to understand the effectiveness of modification efforts. The following table presents FDMs over a rolling 12-month period, by delinquency status, as of December 31, 2024 and December 31, 2023:

December 31, 2024					
Delinquency Status of FDM Loans	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total
Real estate	\$ 18,118	\$ 2,270	\$ 2,002	\$ 6,008	\$ 28,398
Commercial	51,096	-	-	-	51,096
Vehicle	20,692	3,722	973	623	26,010
Credit cards	-	-	-	-	-
Consumer and other	12,771	1,348	2,059	1,100	17,278
Total	\$ 102,677	\$ 7,340	\$ 5,034	\$ 7,731	\$ 122,782

December 31, 2023					
Delinquency Status of FDM Loans	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total
Real estate	\$ 26,862	\$ 2,798	\$ 1,911	\$ 6,740	\$ 38,311
Commercial	241,952	-	-	-	241,952
Vehicle	2,749	414	213	32	3,408
Credit cards	-	-	-	-	-
Consumer and other	7,603	1,071	429	365	9,468
Total	\$ 279,166	\$ 4,283	\$ 2,553	\$ 7,137	\$ 293,139

Subsequent Defaults of FDMs to Borrowers

FDMs may subsequently enter default. A default occurs if a FDM is either 90 days or more delinquent, has been charged off, or has been reclassified from accrual to nonaccrual status. Loans that entered a modification program in any stage of delinquency are included in the aging table above. Loans that entered a modification program while in default are not considered to have subsequently defaulted for purposes of this disclosure.

The following table presents the amortized costs basis of FDMs that subsequently defaulted during the twelve-months ended December 31, 2024 and December 31, 2023, that were modified in the twelve months prior to that default:

December 31, 2024					
Amortized Cost Basis of FDM Loans that Subsequently Defaulted	Loans by Modification Type				
	Term Extension	Payment Delay	Interest Rate Reduction	Combination	Total
Real estate	\$ 2,385	\$ 4,219	\$ 3,732	\$ 1,322	\$ 11,658
Commercial	-	-	-	-	-
Vehicle	-	4,503	-	-	4,503
Credit cards	-	-	-	-	-
Consumer and other	1,125	1,552	-	-	2,677
Total	\$ 3,510	\$ 10,274	\$ 3,732	\$ 1,322	\$ 18,838

December 31, 2023					
Amortized Cost Basis of FDM Loans that Subsequently Defaulted	Loans by Modification Type				
	Term Extension	Payment Delay	Interest Rate Reduction	Combination	Total
Real estate	\$ 678	\$ 714	-	\$ 640	\$ 2,032
Commercial	143,734	-	-	97,930	241,664
Vehicle	-	298	-	-	298
Credit cards	-	-	-	-	-
Consumer and other	1,398	230	-	-	1,628
Total	\$ 145,810	\$ 1,242	\$ -	\$ 98,570	\$ 245,622

The Credit Union considers loans to be in a payment default when the contractual payment due is at least two months delinquent (i.e., greater than 30 days past due), a foreclosure or repossession has occurred, or an event has occurred that is considered a default during the periods reported.

Loans Measured at Fair Value

The table below presents the unpaid principal balance, unrealized gains and losses, and fair value of loans carried at fair value as of December 31, 2024 and December 31, 2023:

December 31, 2024			
FVO Loans Total	Unpaid Principal Balance	Unrealized Gains/(Losses)	Fair Value
Mortgage Loans - Held for Investment	\$ 138,912	\$ (24,412)	\$ 114,500
Mortgage Loans - Held for Sale	106,666	685	107,351
Taxi Medallion Loans	53,855	(16,625)	37,230
Total	\$ 299,433	\$ (40,352)	\$ 259,081

December 31, 2023			
FVO Loans Total	Unpaid Principal Balance	Unrealized Gains/(Losses)	Fair Value
Mortgage Loans - Held for Investment	\$ 147,508	\$ (21,067)	\$ 126,441
Mortgage Loans - Held for Sale	126,397	3,665	130,062
Taxi Medallion Loans	206,456	(125,555)	80,901
Total	\$ 480,361	\$ (142,957)	\$ 337,404

The table below presents the unpaid principal balance, unrealized gains and losses, and fair value of loans carried at fair value which are greater than 90 days past due as of December 31, 2024 and December 31, 2023:

December 31, 2024			
FVO Delinquent Loans	Unpaid Principal Balance	Unrealized Gains/(Losses)	Fair Value
Mortgage Loans - Held for Investment	\$ 2,542	\$ (290)	\$ 2,252
Mortgage Loans - Held for Sale	-	-	-
Taxi Medallion Loans	14,758	(8,482)	6,276
Total	\$ 17,300	\$ (8,772)	\$ 8,528

December 31, 2023			
FVO Delinquent Loans	Unpaid Principal Balance	Unrealized Gains/(Losses)	Fair Value
Mortgage Loans - Held for Investment	\$ 3,384	\$ (285)	\$ 3,099
Mortgage Loans - Held for Sale	-	-	-
Taxi Medallion Loans	151,507	(106,504)	45,003
Total	\$ 154,891	\$ (106,789)	\$ 48,102

The table below presents the amount and location of net gains and losses recognized in the consolidated statements of income for the year-ended December 31, 2024 and December 31, 2023 were as follows:

December 31, 2024		
FVO Net Gains/(Losses) Recognized	Other Non-Interest Income	Mortgage Banking Activities
Mortgage Loans - Held for Investment	\$ (3,424)	\$ -
Mortgage Loans - Held for Sale	2,648	19,641
Taxi Medallion Loans	(4,297)	-
Total	\$ (5,073)	\$ 19,641

December 31, 2023		
FVO Net Gains/(Losses) Recognized	Other Non-Interest Income	Mortgage Banking Activities
Mortgage Loans - Held for Investment	\$ 1,339	\$ -
Mortgage Loans - Held for Sale	8,563	9,930
Taxi Medallion Loans	1,926	-
Total	\$ 11,828	\$ 9,930

NOTE 5 – ALLOWANCE FOR CREDIT LOSSES AND RESERVE FOR UNFUNDED LENDING COMMITMENTS

Rollforward of Allowance for Credit Losses and Reserve for Unfunded Lending Commitments

The table below summarizes changes in the allowance for credit losses and reserve for unfunded lending commitments, by portfolio segment, for the twelve-months ended December 31, 2024 and 2023:

Allowance for Credit Losses	Real Estate	Commercial	Vehicle	Credit Cards	Consumer and Other	Total
Allowance for Credit Losses						
Balance as of January 1, 2024	\$ 54,035	\$ 162,362	\$ 50,871	\$ 218,546	\$ 231,822	\$ 717,636
Provision for credit loss	(71)	35,566	51,878	251,512	192,058	530,943
Charge-offs	(4,952)	(105,674)	(153,494)	(246,996)	(231,496)	(742,612)
Recoveries	913	494	96,169	21,551	25,056	144,183
Allowance for credit losses December 31, 2024	\$ 49,925	\$ 92,748	\$ 45,424	\$ 244,613	\$ 217,440	\$ 650,150
Reserve for Unfunded Lending Commitments⁽¹⁾						
Balance as of January 1, 2024	\$ 7,884	\$ 2,803	\$ -	\$ -	\$ 403	\$ 11,090
Provision for unfunded lending commitments	(1,943)	(1,023)	-	-	106	(2,860)
Reserve for Unfunded Lending Commitments December 31, 2024	\$ 5,941	\$ 1,780	\$ -	\$ -	\$ 509	\$ 8,230
Allowance for Credit Losses as of December 31, 2024	\$ 55,866	\$ 94,528	\$ 45,424	\$ 244,613	\$ 217,949	\$ 658,380

Allowance for Credit Losses	Real Estate	Commercial	Vehicle	Credit Cards	Consumer and Other	Total
Allowance for Credit Losses						
Balance as of January 1, 2023	\$ 8,587	\$ 15,083	\$ 35,594	\$ 48,882	\$ 172,639	\$ 280,785
Cumulative effects from adoption of ASC 326	53,506	22,634	75,568	168,858	261,121	581,687
Adjusted Balance as of January 1, 2023	\$ 62,093	\$ 37,717	\$ 111,162	\$ 217,740	\$ 433,760	\$ 862,472
Provision for credit loss	(5,374)	124,022	103,996	163,007	103,169	488,820
Charge-offs	(3,040)	(9)	(206,485)	(178,480)	(336,916)	(724,930)
Recoveries	356	632	42,198	16,279	31,809	91,274
Allowance for Credit losses December 31, 2023	\$ 54,035	\$ 162,362	\$ 50,871	\$ 218,546	\$ 231,822	\$ 717,636
Reserve for Unfunded Lending Commitments⁽¹⁾						
Balance as of January 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative effects from adoption of ASC 326	8,343	4,938	-	-	6,826	20,107
Adjusted Balance as of January 1, 2023	\$ 8,343	\$ 4,938	\$ -	\$ -	\$ 6,826	\$ 20,107
Provision for unfunded lending commitments	(459)	(2,135)	-	-	(6,423)	(9,017)
Reserve for Unfunded Lending Commitments December 31, 2023	\$ 7,884	\$ 2,803	\$ -	\$ -	\$ 403	\$ 11,090
Allowance for Credit Losses as of December 31, 2023	\$ 61,919	\$ 165,165	\$ 50,871	\$ 218,546	\$ 232,225	\$ 728,726

⁽¹⁾ The reserve for unfunded lending commitments is classified within other liabilities on our consolidated statements of financial condition

Credit Quality Indicators

The Credit Union closely monitors economic conditions and loan performance trends to assess and manage exposure to credit risk. These risks and its credit quality indicator for each portfolio segment are discussed below:

Real Estate

We regularly update the property values of real estate collateral and calculate an updated combined loan-to-value ("LTV") ratio. We examine LTV migration to measure and monitor changes in its risk profile.

We use a combination of original LTV and updated LTV for internal risk management and reporting purposes (e.g., line management, loss mitigation strategies). In addition to the fact that property values are estimates and, given certain data limitations, updated LTVs may be based upon management's assumptions (i.e., if an updated LTV is not provided by the third-party service provider, home price index ("HPI") changes may be incorporated in arriving at management's estimate of updated LTV).

Updated LTV is estimated using modeled property values. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models, broker price opinions, HPIs, property location, internal and external balance information, origination data and management assumptions. Accordingly, the results of the calculations may not represent actual appraised loan level collateral, or updated LTV, based upon lien balances held by others, and therefore, imprecise and subject to change as we refine its methodology.

The following table presents the current and combined LTV by vintage year, and by class of financing receivable within the real estate portfolio segment, as of December 31, 2024 and 2023, respectively:

December 31, 2024								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2024	2023	2022	Prior	Total Term Loans			
Mortgage								
Current LTV								
Less than or equal to 80%	\$ 20,016	\$ 70,943	\$ 3,590,682	\$ 6,889,883	\$ 10,571,524	\$ -	\$ -	
80 to 100%	32,331	103,434	465,742	375,177	976,684	-	-	
Over 100%	3,829	23,886	127,350	126,126	281,191	-	-	
Fair value hedge basis adjustments ⁽¹⁾	-	-	-	-	(75,709)	-	-	
Total Mortgage	\$ 56,176	\$ 198,263	\$ 4,183,774	\$ 7,391,186	\$ 11,753,690	\$ -	\$ -	
Home equity								
Combined LTV								
Less than or equal to 80%	\$ -	\$ 113	\$ 3,627	\$ 115,309	\$ 119,049	\$ 2,177,859	\$ 8,363	
80 to 100%	-	49	2,642	1,544	4,235	328,557	2,253	
Over 100%	-	-	61	8,705	8,766	41,014	1,725	
Total Home equity	\$ -	\$ 162	\$ 6,330	\$ 125,558	\$ 132,050	\$ 2,547,430	\$ 12,341	
December 31, 2023								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2023	2022	2021	Prior	Total Term Loans			
Mortgage								
Current LTV								
Less than or equal to 80%	\$ 66,489	\$ 3,651,913	\$ 5,561,047	\$ 1,786,489	\$ 11,065,938	\$ -	\$ -	
80 to 100%	118,525	652,495	459,129	41,779	1,271,928	-	-	
Over 100%	34,987	150,170	119,593	16,941	321,691	-	-	
Fair value hedge basis adjustments ⁽¹⁾	-	-	-	-	(38,063)	-	-	
Total Mortgage	\$ 220,001	\$ 4,454,578	\$ 6,139,769	\$ 1,845,209	\$ 12,621,494			
Home equity								
Combined LTV								
Less than or equal to 80%	\$ 75	\$ 583	\$ 1,306	\$ 141,548	\$ 143,512	\$ 2,078,736	\$ 16,147	
80 to 100%	-	195	127	1,400	1,722	342,267	1,177	
Over 100%	-	-	1,227	10,595	11,822	40,806	1,840	
Total Home equity	\$ 75	\$ 778	\$ 2,660	\$ 153,543	\$ 157,056	\$ 2,461,809	\$ 19,164	

⁽¹⁾ Certain real estate loans are included in fair value hedging relationships. The amortized costs of fair value hedge basis adjustments for loans in closed portfolios with active hedges under the portfolio layer method is presented separately above.

Commercial

The Credit Union measures commercial credit risk by assigning an internal risk classification to each loan. These internal risk classifications align with the regulatory risk classifications used by the NCUA. This assessment evaluates the borrower's current financial condition and ability to repay the loan. The risk classification is generally assigned using various methods, including evaluating cash flows from the borrower and the loan's underlying collateral. The evaluation considers key metrics such as debt service coverage, credit history, ability to repay, collateral type, tenant composition, local market conditions and management/borrower capacity, along with additional qualitative factors, where needed.

Commercial loans are categorized into the following risk classifications:

Pass – Loans where the Credit Union believes full repayment is expected in accordance with the contractual loan terms.

Special Mention – Loans that exhibit potential weaknesses that, if uncorrected, may lead to a deterioration in the Credit Union's credit position in the future.

Substandard – Loans that have well-defined weaknesses that could jeopardize repayment and may require a heightened level of monitoring.

Doubtful – Loans that have the same weaknesses as substandard loans but also present a high probability of loss, where full collection is improbable.

The following table presents the regulatory risk classifications, by class of financing receivable within the commercial portfolio segment as of December 31, 2024 and 2023, respectively:

December 31, 2024								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2024	2023	2022	Prior	Total Term Loans			
Commercial real estate								
Pass	\$ -	\$ -	\$ 68,666	\$ 228,279	\$ 296,945	\$ 308,611	\$ 179,354	
Special Mention	-	-	-	2,561	2,561	218,533	51,096	
Sub-standard	-	-	-	59,424	59,424	-	-	
Doubtful	-	-	-	-	-	60,360	-	
Total commercial real estate	-	-	68,666	290,264	358,930	587,504	230,450	
Other								
Pass	-	40,275	-	18,952	59,227	75,000	-	
Special Mention	-	-	-	8	8	-	-	
Total Other	-	40,275	-	18,960	59,235	75,000	-	
Total Commercial loans	\$ -	\$ 40,275	\$ 68,666	\$ 309,224	\$ 418,165	\$ 662,504	\$ 230,450	

December 31, 2023								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2023	2022	2021	Prior	Total Term Loans			
Commercial real estate								
Pass	\$ 32,929	\$ 146,729	\$ 69,311	\$ 226,708	\$ 475,677	\$ 643,939	\$ -	
Special Mention	-	-	-	3,846	3,846	-	-	
Sub-standard	-	-	-	65,244	65,244	-	139,447	
Doubtful	-	-	-	1,119	1,119	-	-	
Total commercial real estate	32,929	146,729	69,311	296,917	545,886	643,939	139,447	
Other								
Pass	-	-	-	12,866	12,866	265,922	-	
Special Mention	-	-	16	-	16	-	97,930	
Total Other	-	-	16	12,866	12,882	265,922	97,930	
Total Commercial loans	\$ 32,929	\$ 146,729	\$ 69,327	\$ 309,783	\$ 558,768	\$ 909,861	\$ 237,377	

Consumer Loans

Our consumer portfolios are highly diversified across millions of accounts and numerous geographies, without significant individual exposure. We therefore generally manage consumer loan credit risk based on portfolios with common risk characteristics. The risk in its credit card loan portfolio correlates to broad economic trends, such as unemployment rates and the U.S. Real Gross Domestic Product Rate, as well as consumers' financial condition, all of which can have a material effect on credit performance.

For all loan types, we generally use a combination of internal loan parameters as well as an updated FICO score, a primary credit quality indicator. Along with the monitoring of delinquency trends and losses for each class, FICO credit score updates are obtained at least quarterly along with a variety of credit bureau attributes. Loans with high FICO scores tend to have a lower likelihood of loss. Conversely, loans with low FICO scores tend to have a higher likelihood of loss.

The following table presents current FICO, by class of financing receivable within the consumer portfolio segment as of December 31, 2024 and 2023, respectively:

December 31, 2024								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2024	2023	2022	Prior	Total Term Loans			
Vehicle								
Greater than 800	\$ 330,048	\$ 271,515	\$ 178,965	\$ 182,859	\$ 963,387	\$ -	\$ -	
701-800	411,032	441,546	356,129	236,949	1,445,656	-	-	
601-700	90,165	201,995	339,914	184,122	816,196	-	-	
600 or below	6,757	91,991	281,535	158,654	538,937	-	-	
Total Vehicle	\$ 838,002	\$ 1,007,047	\$ 1,156,543	\$ 762,584	\$ 3,764,176	\$ -	\$ -	
Other Consumer								
Greater than 800	\$ 105,716	\$ 77,393	\$ 218,693	\$ 451,463	\$ 853,265	\$ 4,190	\$ -	
701-800	149,196	198,141	397,540	599,238	1,344,115	27,062	-	
601-700	53,481	129,947	237,932	271,219	692,579	27,250	-	
600 or below	7,150	27,031	85,068	108,200	227,449	7,875	-	
Total Consumer	\$ 315,543	\$ 432,512	\$ 939,233	\$ 1,430,120	\$ 3,117,408	\$ 66,377	\$ -	
Credit card								
Greater than 800	-	-	-	-	-	\$ 269,315	-	
701-800	-	-	-	-	-	761,433	-	
601-700	-	-	-	-	-	792,173	-	
600 or below	-	-	-	-	-	225,428	-	
Total Credit card						\$ 2,048,349	\$ -	
December 31, 2023								
	Term Loans by Vintage Year					Revolving Loans	Revolving Loans Converted to Term	
	2023	2022	2021	Prior	Total Term Loans			
Vehicle								
Greater than 800	\$ 514,072	\$ 306,185	\$ 270,737	\$ 114,301	\$ 1,205,295	\$ -	\$ -	
701-800	984,673	677,352	325,828	172,076	2,159,929	-	-	
601-700	341,489	590,690	260,359	95,159	1,287,697	-	-	
600 or below	32,181	303,474	172,562	44,925	553,142	-	-	
Total Vehicle	\$ 1,872,415	\$ 1,877,701	\$ 1,029,486	\$ 426,461	\$ 5,206,063	\$ -	\$ -	
Other Consumer								
Greater than 800	\$ 151,599	\$ 273,694	\$ 321,971	\$ 237,005	\$ 984,269	\$ 4,077	\$ -	
701-800	392,186	641,495	645,830	261,906	1,941,417	29,258	-	
601-700	170,686	374,039	316,905	89,328	950,958	30,097	-	
600 or below	17,374	76,808	47,343	18,507	160,032	8,471	-	
Total Consumer	\$ 731,845	\$ 1,366,036	\$ 1,332,049	\$ 606,746	\$ 4,036,676	\$ 71,903	\$ -	
Credit card								
Greater than 800	-	-	-	-	-	\$ 347,992	-	
701-800	-	-	-	-	-	1,045,641	-	
601-700	-	-	-	-	-	868,202	-	
600 or below	-	-	-	-	-	159,629	-	
Total Credit card						\$ 2,421,464	\$ -	

NOTE 6 – LOAN SALES

Mortgage loans are sold to the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, collectively, the Government Sponsored Enterprises ("GSEs"). The GSEs generally securitize loans into mortgage-backed securities that are sold to third-party investors in the secondary market. The Credit Union is also an issuer of Government National Mortgage Association ("GNMA") securities. In these transactions, federally insured and/or guaranteed loans are pooled and sold as securities to third-party investors, with repayment guaranteed by GNMA. Mortgage and consumer loans are also sold to private third-party investors.

At December 31, 2024 and 2023, the Credit Union had \$107,351 and \$130,062, respectively, of loans held for sale.

The table below presents the assets obtained, liabilities incurred and net gain/loss on all loan sales for the years ended December 31, 2024 and December 31, 2023:

December 31, 2024				
Loan Sales During the Year	Assets Obtained			Net Gain/ (Loss) on Sale of Loans
	Cash Proceeds ⁽¹⁾	Servicing Rights	Beneficial Interests	
GNMA Securitizations	\$ 805,481	\$ 14,440	\$ -	\$ 12,328
GSE Securitizations	629,612	9,195	-	7,698
Consumer Loan Securitizations	434,555	-	23,006	(62)
Other Loan Sales	511,950	1,945	-	2,642
Total	\$ 2,381,598	\$ 25,580	\$ 23,006	\$ 22,606

December 31, 2023				
Loan Sales During the Year	Assets Obtained			Net Gain/ (Loss) on Sale of Loans
	Cash Proceeds ⁽¹⁾	Servicing Rights	Beneficial Interests	
GNMA Securitizations	\$ 1,107,506	\$ 19,712	\$ -	\$ 3,549
GSE Securitizations	1,036,261	17,082	-	6,451
Consumer Loan Securitizations	-	-	-	-
Other Loan Sales	169,889	-	-	966
Total	\$ 2,313,656	\$ 36,794	\$ -	\$ 10,966

⁽¹⁾ Cash proceeds from the sale of loans originated with the intent to sell are classified as operating cash flows within the consolidated statements of cash flow whereas cash proceeds from the sale of loans originated for investment are classified as investing cash flows within the consolidated statements of cash flow.

The following table provides a summary of the cash flows exchanged between the Credit Union and transferees on all loans transferred during the years ended December 31, 2024 and December 31, 2023:

December 31, 2024					
Cash Flows From:					
Cash Flows Between Transferor and Transferee	Cash Proceeds from New Transfers	Repurchases of Previously Transferred Assets	Servicing Fees Collected	Retained Beneficial Interests	Total
GNMA Securitizations	\$ 805,481	\$ 27,704	\$ 15,922	\$ -	\$ 849,107
GSE Securitizations	629,612	810	21,400	-	651,822
Consumer Loan Securitizations	434,555	240	3,394	9,246	447,435
Other Loan Sales	511,950	3,360	25,125	-	540,435
Total	\$ 2,381,598	\$ 32,114	\$ 65,841	\$ 9,246	\$ 2,488,799

December 31, 2023					
Cash Flows From:					
Cash Flows Between Transferor and Transferee	Cash Proceeds from New Transfers	Repurchases of Previously Transferred Assets	Servicing Fees Collected	Retained Beneficial Interests	Total
GNMA Securitizations	\$ 1,107,506	\$ 12,427	\$ 13,056	\$ -	\$ 1,132,989
GSE Securitizations	1,036,261	4,267	20,123	-	1,060,651
Consumer Loan Securitizations	-	-	3,088	8,915	12,003
Other Loan Sales	169,889	9,659	27,687	-	207,235
Total	\$ 2,313,656	\$ 26,353	\$ 63,954	\$ 8,915	\$ 2,412,878

Representation and Warranties

For mortgage and consumer loans transferred in sale transactions or securitizations to the GSEs, GNMA and other investors, the Credit Union has made representations and warranties that the loans meet specified requirements. These requirements typically relate to collateral, underwriting standards, validation of certain borrower representations in connection with the loan and the use of standard legal documentation. In connection with the sale of loans to the GSEs, GNMA and other investors, the Credit Union may be required to repurchase the loan or indemnify the respective entity for losses due to breaches of these representations and warranties.

The Credit Union's continuing involvement in loans transferred includes ongoing servicing, repurchasing previously transferred loans under obligations related to standard representations, and warranties. The Credit Union repurchased \$32,114 and \$26,353 of previously transferred loans in 2024 and 2023, respectively, and were accounted for as part of its loan portfolio. During 2024 and 2023, there have been no losses on loans in the portfolio of previously transferred loans repurchased.

Servicing

The Credit Union retains servicing rights on loans transferred in sale transactions. Servicing rights assets are recognized at fair value on the date of sale and thereafter when the benefits of servicing the sold loans exceeds adequate compensation. Actual and expected loan constant prepayment rates ("CPR"), discount rates, servicing costs and other economic factors are considered in determining the servicing rights fair value. The servicing rights valuation is sensitive to interest rate and prepayment risk.

The table below discloses a sensitivity analysis of the hypothetical effect on fair value of servicing rights as a result of a 100-200 basis point decline/increase in the risk-free rate:

Servicing Rights Assumptions	Weighted-Average December 31,	
	2024	2023
Prepayment speed (CPR)	7.8	8.1
Projected life (Years)	8.0	7.6
Discount rate	6.48%	6.43%

Servicing Rights Fair Value	December 31,	
	2024	2023
Servicing Rights Fair Value	\$ 322,219	\$ 296,590
Change in fair value from:		
-100 bp decline in risk free rate	(35,578)	(26,917)
-200 bp decline in risk free rate	(83,775)	(63,028)
+100 bp increase in risk free rate	24,349	19,204
+200 bp increase in risk free rate	40,362	32,147

The Credit Union earns servicing and other ancillary fees for its role as servicer. The Credit Union's servicing revenue is included within fees and charges, in the consolidated statements of income. During the years ended December 31, 2024 and 2023, the Credit Union received \$14,197 and \$16,153, respectively, of late charges, which are included in fees and charges, in the consolidated statements of income.

The Credit Union's responsibilities as servicer typically include collecting and remitting monthly principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and in certain instances, funding servicing advances that have not yet been collected from the borrower. The Credit Union recognizes servicing advances, net of estimated uncollectible advances, within other assets in the consolidated statements of financial condition. Servicing advances, net of allowance, as of December 31, 2024 and 2023 totaled \$16,301 and \$20,358, respectively.

The table below presents the rollforward for servicing rights assets for the years ended December 31, 2024 and 2023, respectively:

	December 31, 2024	December 31, 2023
Servicing rights at beginning of year	\$ 296,590	\$ 273,196
Fair value adjustment	38	(13,498)
Issuances	25,591	36,892
Servicing rights at end of year	\$ 322,219	\$ 296,590

The following table provides the outstanding and delinquent mortgage loan balances of transferred loans, for which the Credit Union retains servicing rights.

Retained Servicing Rights	December 31,	
	2024	2023
Principal balances of loans serviced	\$ 22,614,002	\$ 22,126,972
Principal balances of delinquent loans ⁽¹⁾	\$ 219,953	\$ 85,312

⁽¹⁾ Delinquency within the above table is identified as greater than 30 days past due

Securitization

In August 2024, the Credit Union completed a securitization of consumer automobile loans (the "Transaction"). The Transaction was executed as a two-step transfer, in which the Credit Union, as Sponsor, first sold a portfolio of \$454,912 of consumer auto loans to PenFed Auto Receivables Funding, LLC, a wholly owned subsidiary of the Credit Union, who then sold the portfolio of receivables to PenFed Auto Receivables Owner Trust 2024-A ("PAROT 2024-A"), an asset-backed securities issuer trust (the "Trust"). PAROT 2024-A then used the purchased receivables as collateral for issuing \$447,400 of notes and \$12,700 of residual certificates in a private offering under Rule 144A of the Securities and Exchange Act of 1933. In exchange for the sale of the loans to the Trust, the Depositor received total consideration of \$457,561, which includes cash consideration of \$434,555 and beneficial interests of \$23,006 in the Trust.

The Credit Union's primary risk exposure related to the VIEs is credit risk, and its maximum loss exposure to its VIEs is limited to the carrying amounts of the securities it obtains as proceeds from the securitization. The Credit Union does not provide financial or other support (explicitly or implicitly) to these VIEs that it was not previously contractually required to provide, nor does the Credit Union intend to provide such support in the future.

The following table presents the carrying amount of assets, liabilities, and our maximum exposure to loss related to unconsolidated VIEs for the years ended December 31, 2024 and December 31, 2023:

Auto Loan Securitizations	December 31,	
	2024	2023
Carrying Amount of Assets	\$ 25,577	\$ 11,024
Carrying Amount of Liabilities	-	-
Maximum Exposure to Loss	25,577	11,024

The retained beneficial interests consist of a 5% interest in each of the classes of notes and a 5% interest in the residual certificate. These assets are accounted for as debt securities and are included in the Credit Union's investment portfolio as AFS debt securities. The retained beneficial interests follow the same accounting policies as the rest of the Credit Union's investment portfolio.

NOTE 7 – GOODWILL AND OTHER INTANGIBLES

The Credit Union completed its annual goodwill impairment assessment and concluded that no impairment existed at October 31, 2024 and October 31, 2023. The Credit Union considered events and circumstances that existed on December 31, 2024 and December 31, 2023 and concluded that no impairment existed as of those dates.

The table below presents changes in the carrying value of goodwill for the periods ended December 31, 2024 and 2023:

	Carrying Value Goodwill	
	December 31, 2024	December 31, 2023
Goodwill at beginning of year	\$ 30,744	\$ 31,094
Other	-	(350)
Goodwill at end of year	\$ 30,744	\$ 30,744

The table below presents the rollforward of intangibles for the years ended December 31, 2024 and 2023:

	Carrying Value Intangibles	
	December 31, 2024	December 31, 2023
Intangibles at beginning of year	\$ 112,689	\$ 115,837
Amortization and adjustments	(1,878)	(3,148)
Intangibles at end of year	\$ 110,811	\$ 112,689

Based on the current amount of intangibles subject to amortization, the estimated amortization expense over the next five years is as follows:

2025	\$ 1,353
2026	401
2027	110
2028	5
2029	-

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

Property and equipment	December 31,	
	2024	2023
Land	\$ 40,993	\$ 42,191
Buildings and improvements	313,143	330,924
Furniture and fixtures	54,451	57,321
Computer equipment	95,779	95,454
Aircraft equipment	10,540	10,540
Computer software	579,827	528,713
Leasehold improvements	27,726	24,006
Operating lease right of use assets	33,615	29,743
Total	1,156,074	1,118,892
Accumulated depreciation and amortization	(629,673)	(567,137)
Total, net	\$ 526,401	\$ 551,755

Depreciation and amortization expense related to property and equipment was \$86,355 and \$91,310 for the years ended December 31, 2024 and 2023, respectively, and is included in occupancy expense.

Software amortization expense was \$64,462 and \$67,749 for the years ended December 31, 2024 and 2023, respectively, and is a subset of depreciation and amortization expense.

Leases

Our primary involvement with leases is in the capacity as a lessee, where we lease commercial real estate to support our business. A majority of our leases are operating leases of office space and financial centers. For real estate leases, we have elected to account for the lease and non-lease components together as a single lease component. Our operating leases expire at various dates through 2034 and many of them require variable lease payments by us for property taxes, insurance premiums, common area maintenance and other costs. Certain of these leases also have extension or termination options, and we assess the likelihood of exercising such options. If reasonably certain that we will exercise the options, we, then include the impact in the measurement of our right-of-use assets and lease liabilities.

Our right-of-use assets and lease liabilities for operating leases are included within property and equipment, net and other liabilities, in our consolidated statements of financial condition. None of our operating leases provide an implicit rate, and accordingly, we use our incremental borrowing rate in determining the present value of lease payments. Total operating lease expense consists of total lease cost, which is recognized on a straight-line basis over the lease term, and variable lease cost, which is recognized based on actual amounts incurred within non-interest expense. We also sublease certain premises; sublease income is included within other non-interest income, in our consolidated statements of income.

The following tables present information about our operating leases and related lease costs as of and for the years ended December 31, 2024 and 2023:

	December 31,	
	2024	2023
Right-of-use assets	\$ 33,615	\$ 29,743
Lease liabilities	37,247	33,597
Weighted-average remaining lease term	5.98	6.30
Weighted-average discount rate	2.65%	2.31%
	2024	2023
Operating Lease Costs		
Operating lease cost	\$ 8,311	\$ 8,521
Variable lease cost	2,499	2,275
Total lease cost	\$ 10,810	\$ 10,796
Cash paid for amounts included in measurement of lease liabilities	\$ 8,147	\$ 8,361
Maturities of Operating Leases and Reconciliation to Lease Liabilities		
2025		\$ 7,858
2026		7,118
2027		6,664
2028		5,841
2029		4,840
Thereafter		8,005
Total undiscounted lease payments		40,326
Less: Imputed interest		(3,079)
Total lease liabilities		\$ 37,247

NOTE 9 – FORECLOSED ASSETS

Real Estate Owned

As of December 31, 2024 and 2023, REO assets, which are recognized within other assets in the consolidated statements of financial condition, had carrying values totaling \$2,421 and \$640, respectively.

As of December 31, 2024 and 2023, the amortized cost of mortgage loans secured by residential mortgage real estate, where formal foreclosure procedures were in process, was \$43,930 and \$23,767, respectively.

Taxicab Medallions

As of December 31, 2024 and 2023, taxicab medallions, which are recognized within other assets in the consolidated statements of financial condition, had values of \$39,120 and \$8,152, respectively.

NOTE 10 – MEMBERS' ACCOUNTS

Share and deposit amounts up to \$250 per ownership interest are federally insured through the National Credit Union Share Insurance Fund. Individual deposit account balances exceeding \$250 at December 31, 2024 and 2023, totaled \$3,660,363 and \$4,491,307, respectively.

Interest rates on member's accounts are set by the Board of Directors and are based on an evaluation of market conditions. Interest expense on members' accounts for the 2024 and 2023 year end are as follows:

Members' Accounts	December 31, 2024		December 31, 2023	
	Balances	Interest Expense	Balances	Interest Expense
Regular shares	\$ 9,314,682	\$ 155,499	\$ 7,440,251	\$ 120,249
Pencheck	2,009,474	2,700	1,998,774	2,748
Money market shares	2,505,694	34,074	3,112,603	45,127
Share certificates	11,446,406	557,916	14,971,680	474,194
IRA shares	179,945	100	180,429	102
IRA certificates	1,546,496	60,886	1,743,742	53,330
Total	\$ 27,002,697	\$ 811,175	\$ 29,447,479	\$ 695,750

The following table discloses the Credit Union's scheduled maturities of share and IRA certificates as of December 31, 2024:

Scheduled Maturities of Share and IRA Certificates ⁽¹⁾	
2025	\$ 8,316,055
2026	2,605,159
2027	1,225,803
2028	278,194
2029	453,958
Thereafter	113,733
Total	\$ 12,992,902

⁽¹⁾ Excludes contractual interest associated with the balances

NOTE 11 – BORROWED FUNDS

Borrowed funds are summarized as follows:

December 31, 2024							
Borrowings	Coupon	Fixed/Variable	Payment	Maturities	Outstanding Balance	Unamortized Borrowing Costs	Carrying Amount
FHLB Borrowing	4.56%-4.79%	Variable	Quarterly	2025	\$ 585,000	\$ -	\$ 585,000
FHLB Borrowing	5.11%	Variable	Semiannual	2025	150,000	-	150,000
Total					\$ 735,000	\$ -	\$ 735,000

December 31, 2023							
Borrowings	Coupon	Fixed/Variable	Payment	Maturities	Outstanding Balance	Unamortized Borrowing Costs	Carrying Amount
FHLB Borrowing	5.54%-5.65%	Variable	Quarterly	2024	\$ 1,850,000	\$ -	\$ 1,850,000
FHLB Borrowing	5.80% - 6.05%	Fixed	Monthly	2024	66,000	-	66,000
Total					\$ 1,916,000	\$ -	\$ 1,916,000

As of December 31, 2024 and 2023, the Credit Union had \$8,541,033 and \$9,428,541 of loans pledged as collateral for FHLB borrowings. Accrued interest payable on borrowings was \$5,816 and \$9,098 as of December 31, 2024 and 2023, respectively. Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances.

The following table discloses the Credit Union's scheduled maturities of borrowings as of December 31, 2024:

FHLB Borrowings by Maturity ⁽¹⁾	
2025	\$ 735,000
2026	-
2027	-
2028	-
2029	-
Thereafter	-
Total	\$ 735,000

⁽¹⁾ Excludes contractual interest associated with the balances

The Credit Union had the following unused lines of credit as of December 31, 2024, and December 31, 2023:

Unused lines of Credit	December 31,	
	2024	2023
Federal Reserve Bank of Richmond	\$ 2,748,606	\$ 3,477,595
Federal Home Loan Bank	7,309,150	5,977,149
SunTrust Bank	25,000	25,000
JPMorgan Chase Bank	50,000	50,000
Wells Fargo Bank	125,000	125,000
PNC Bank	50,000	50,000
Alloya Corporate CU	1,500	1,500
Total	\$ 10,309,256	\$ 9,706,244

NOTE 12 – EMPLOYEE BENEFIT PLANS

Retirement Plan

The Credit Union sponsors a noncontributory, defined benefit pension plan (the “Retirement Plan”) covering certain eligible employees. Benefits under the Retirement Plan are primarily based on years of service and the employees' compensation during the last five years of employment. The Credit Union's policy is to make contributions to the Retirement Plan to satisfy minimum funding requirements. Eligibility requirements for the Retirement Plan were modified in December 2006, to exclude employees hired or rehired after December 31, 2006, from participating in the Plan.

Retiree Medical Plan

The Credit Union sponsors a defined benefit postretirement plan. Eligibility requirements of the defined benefit postretirement plan were modified in December 2012, to exclude employees hired or rehired on or after December 1, 2012 from participating. The plan covers eligible employees providing medical, dental, vision, life insurance and grandfathered sick leave benefits. The plan is contributory for retirees who retired after January 1, 1995. For these retirees, effective April 1, 2006, contributions were 90% for retirees. The 90% contribution provision does not apply to employees who retired before January 1, 1995, for whom the Credit Union pays 100% of the premiums.

The following table provides key balances and transaction amounts of the Retirement Plan and Retiree Medical Plans:

Key Balances and Transaction Amounts	Retirement Plan		Retiree Medical Plan	
	2024	2023	2024	2023
Accumulated benefit obligation at year end	\$ 80,149	\$ 85,127	\$ N/A	\$ N/A
Projected benefit obligation at year end	92,379	98,403	4,547	3,540
Fair value of plan assets at year end	82,044	87,810	-	-
Funded status	(10,335)	(10,593)	(4,547)	(3,540)
Employer contributions	5,877	-	221	246
Plan participants' contributions	-	-	428	397
Benefits paid to plan participants	(10,008)	(16,997)	(649)	(642)
Net periodic benefit cost	4,267	5,196	136	150

The following table provides amounts recognized in other liabilities in the consolidated statements of financial condition for the Retirement Plan and Retiree Medical Plan as of December 31, 2024 and December 31, 2023:

Amounts Recognized in the Consolidated Statements of Financial Condition	Retirement Plan		Retiree Medical Plan	
	2024	2023	2024	2023
Other Assets	\$ -	\$ -	\$ -	\$ -
Other Liabilities	(10,335)	(10,593)	(4,547)	(3,540)
Net Liabilities	\$ (10,335)	\$ (10,593)	\$ (4,547)	\$ (3,540)

The assumptions used to determine the projected benefit obligation and net periodic benefit costs for the Retirement Plan and Retiree Medical Plan were as follows:

	Retirement Plan		Retiree Medical Plan	
Weighted Average Assumptions	2024	2023	2024	2023
Discount rate				
Projected benefit obligation	5.40%	4.75%	5.50%	4.85%
Net periodic benefit cost	4.75%	4.95%	4.85%	5.00%
Rate of compensation increase				
Projected benefit obligation	5.00%	4.00%	N/A	N/A
Net periodic benefit cost	4.00%	4.00%	N/A	N/A
Expected long-term rate of return on plan assets	5.00%	5.00%	N/A	N/A
Current year healthcare cost trend rate	N/A	N/A	6.50%	7.50%

The long-term rate of return assumption represents the expected average rate to be earned on plan assets and future plan contributions to meet benefit obligations. The assumption is based on several factors, including the anticipated long-term asset allocation of plan assets, historical market index plan returns, and a forecast of future expected asset returns.

The amounts in AOCI that have not yet been recognized as components of net periodic benefit cost as of December 31, 2024 and December 31, 2023, are as follows:

	Retirement Plan		Retiree Medical Plan	
Amounts in Accumulated Other Comprehensive Income	2024	2023	2024	2023
Net prior service cost	\$ -	\$ -	\$ (2,361)	\$ (861)
Net (loss) / gain	(9,236)	(7,883)	2,518	2,109
Accumulated other comprehensive (loss) / gain	\$ (9,236)	\$ (7,883)	\$ 157	\$ 1,248

The amounts recognized in AOCI for the years ended December 31, 2024 and 2023, consist of:

	Retirement Plan		Retiree Medical Plan	
Amounts Recognized in Accumulated Other Comprehensive Income	2024	2023	2024	2023
Amounts amortized during the year				
Net prior service cost	\$ -	\$ -	\$ 102	\$ 102
Net gain / (loss)	-	1,526	(188)	(185)
Reclassification into income	811	-	-	-
Amounts arising during the year				
Net prior service cost	-	-	(1,603)	-
Net (loss) / gain	(2,163)	10,125	597	(258)
Total recognized in other comprehensive income	\$ (1,352)	\$ 11,651	\$ (1,092)	\$ (341)

Expected benefit payments over the next ten years are as follows:

Expected Payments	Retirement Plan	Retiree Medical Plan
2025	\$ 7,999	\$ 232
2026	7,381	240
2027	7,583	236
2028	7,403	231
2029	7,805	233
Subsequent 5 Years	36,917	1,325
Total	\$ 75,088	\$ 2,497

The Credit Union's investment strategy with respect to the Retirement Plan is to employ an approach whereby a mix of equity and fixed-income investments are used to maximize the long-term return of plan assets at a prudent level of risk that includes consideration of benefit obligation volatility. The intent of this strategy is to keep the Retirement Plan well-funded over the long run. Risk tolerance is established through careful consideration of plan liabilities and plan-funded status. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and regular investment portfolio reviews.

The Retirement Plan's assets are invested entirely in commingled funds. These funds invest in investment contracts issued by insurance companies and other financial institutions, fixed income securities, money market funds, and may include derivative instruments such as futures contracts and swap agreements to provide daily liquidity. The investment contract issuers seek to preserve the principal investment and earnings but cannot guarantee that they will be able to do so. The funds are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. There are no reserves against contract values for credit risk of the contract issuers or otherwise.

Commingled funds are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying funds based on units held by the Retirement Plan at year-end, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with U.S. GAAP for investment companies. The Retirement Plan applies the practical expedient to its investments in commingled funds on an investment-by-investment basis, and consistently with the Plan's entire position in a particular investment, unless it is probable that the Retirement Plan will sell a portion of an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available.

The table below presents the Retirement Plan's assets within the fair value hierarchy:

December 31, 2024				
Fair Value Inputs	Level 1	Level 2	Level 3	Total
Investments Measured at Net Asset Value per Share	-	-	-	82,044
Total	\$ -	\$ -	\$ -	\$ 82,044

December 31, 2023				
Fair Value Inputs	Level 1	Level 2	Level 3	Total
Investments Measured at Net Asset Value per Share	-	-	-	87,810
Total	\$ -	\$ -	\$ -	\$ 87,810

401(k) Plan

The Credit Union has a 401(k) plan that provides for contributions by employees and the employer, with the employer contributions consisting of a 100% matching of the employees' contributions up to the first 5% of the employees' salaries, subject to federal limitations. The Plan is available to substantially all employees of the Credit Union. The expense related to this plan for 2024 and 2023 was \$10,997 and \$9,845, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Extension of Credit Commitments

In the normal course of business, the Credit Union is party to financial instruments with off-balance-sheet risk to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These commitments include financial instruments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest-rate risk more than the amount recognized, in the consolidated financial statements.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Credit risk related to these commitments could be like existing loans, if they became funded.

Commitments to extend credit are agreements to lend to a member, if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

A summary of the Credit Union's commitments at December 31, 2024 is as follows:

Commitments	Fixed Rate	Variable Rate	Total Contract or Notional Amount
Real estate	\$ 174,519	\$ 176,175	\$ 350,694
Commercial	76,303	729,820	806,123
Credit cards	-	9,771,747	9,771,747
Consumer and other	345,150	-	345,150
Total	\$ 595,972	\$ 10,677,742	\$ 11,273,714

Contingencies

The Credit Union is, and may in the future, be involved in several pending and threatened judicial, regulatory and arbitration proceedings, including lawsuits, class actions, investigations, examinations and other actions brought by individuals and regulatory agencies. At any given time, the Credit Union may also be in the process of responding to requests for documents, data, testimony relating to such matters, or engaging in discussions to resolve such matters.

Due to the inherent difficulty of predicting the outcome of these matters, especially when such matters are in early stages or where the claimants seek indeterminate damages, the Credit Union cannot state, with certainty, the eventual outcome of such matters, including timing, damages, losses, fines, or penalties associated with each pending matter or lack thereof.

As of December 31, 2024, these legal proceedings are at varying stages. In accordance with applicable accounting guidance, we establish accruals for matters when a loss is probable, and the amount of the loss can reasonably be estimated. For legal actions or proceedings where it is not reasonably possible that a loss may be incurred, or where the Credit Union is not currently able to estimate the reasonably possible loss, or range of loss, the Credit Union does not establish an accrual. Based on currently available information, the Credit Union believes that the outcome of its pending litigation and matters will not have a material adverse effect on its consolidated financial statements.

NOTE 14 – REGULATORY MATTERS

Regulatory Net Worth Ratio

Quantitative measures established by the NCUA under its Prompt Corrective Action framework to ensure capital adequacy require the Credit Union to maintain minimum amounts of net worth to total assets. Under this framework, the NCUA categorizes credit unions as “well capitalized”, “adequately capitalized”, or “undercapitalized”, depending on a credit union's ratio of net worth to total assets. As of December 31, 2024 and December 31, 2023, the NCUA categorized the Credit Union as “well capitalized” under this regulatory framework. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets and comply with certain levels of risk-based capital.

Due to the impact of adopting CECL, the NCUA has provided transitional relief that allows the Credit Union to phase-in the Day 1 impact of adopting CECL, over a period of three years. Specifically, the impact to undivided earnings is phased-in each year-end beginning on December 31, 2023 and ending on December 31, 2025, at which point, the full Day 1 impact of adopting CECL will be measured in the Credit Union's net worth ratio. The table below reconciles total members' equity in the consolidated statements of financial condition to total regulatory net worth, in addition to the Credit Union's actual regulatory net worth amounts and regulatory required ratios:

Regulatory Net Worth	December 31, 2024	December 31, 2023
Reconciliation		
Total members' equity	\$2,805,954	\$2,882,023
CECL Day 1 phase in	198,592	403,202
Less:		
Non-controlling interests	(756)	(979)
Additional paid-in-capital	(1,150)	(1,150)
Other comprehensive income	31,038	(81,085)
Total Regulatory Net Worth	\$3,033,678	\$3,202,011
Net Worth Ratio	9.72%	9.10%
To Be Adequately Capitalized Under Prompt Corrective Action Provisions		
Amount	≥ \$1,872,133	≥ \$2,110,854
Ratio	≥ 6.0%	≥ 6.0%
To Be Well Capitalized Under Prompt Corrective Action Provisions		
Amount	≥ \$2,184,155	≥ \$2,462,663
Ratio	≥ 7.0%	≥ 7.0%

Risk-Based Capital

Credit Unions are also required to assess capital adequacy under a risk-based capital framework as a determinant to maintaining a regulatory categorization as "well capitalized". Beginning on March 31, 2022, credit unions were required to calculate a risk-based capital ("RBC") ratio, which assigns risk weights to all on-balance sheet assets as well as certain off-balance sheet items. In order for a credit union to maintain a regulatory categorization of "well capitalized," it must maintain an RBC ratio of greater than 10%. As of December 31, 2024 and December 31, 2023, the credit union's RBC ratio was 14.03% and 12.36%, respectively, and accordingly, maintained its categorization as "well capitalized" under the new guidance. In lieu of calculating RBC, credit unions can opt into the Complex Credit Union Leverage Ratio ("CCULR") framework. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its regulatory net worth ratio. A qualifying credit union that has opted into the CCULR framework is considered to have met the capital ratio requirements to be categorized as, "well capitalized," if it has a CCULR of 9% or higher. In addition to a CCULR of 9% or higher, a qualifying credit union is a complex credit union that has met other requirements related to amount of off-balance sheet exposure, goodwill and intangible assets.

NOTE 15 – RELATED-PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends loans and incurs expenses to, receives deposits and earns income from, related parties that include its affiliated entities (such as wholly owned subsidiaries), certain of its officers (such as members of the Board of Directors, Supervisory Committee, and other executive officers), and its employees.

The following table is a summary of interest income earned on loans, and interest expense incurred on member shares, by the Credit Union's related parties for the year ended December 31, 2024 and 2023:

Executive Officers and Management	December 31, 2024	December 31, 2023
Unpaid principal balance	188	1,356
Members' accounts	5,830	12,353

The Credit Union has an employee loan discount program that permits certain eligible Credit Union employees, including executive officers and management, interested in any of its loan products to receive a discount that ranges between 25 to 100 basis points off the prevailing market rates for similar loans at the time of application. This includes loans that have been sold.

NOTE 16 – FAIR VALUE

The following table is a summary of the net carrying amounts, fair value estimates, the related levels in the fair value hierarchy, and impact of netting:

As of December 31, 2024	Net Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
Measured at fair value on a recurring basis						
Cash and cash equivalents	\$ 833,599	\$ 833,599	\$ 833,599	\$ -	\$ -	\$ -
AFS debt securities	3,145,073	3,145,073	29,446	3,115,627	-	-
Loans held for investment	151,730	151,730	-	114,500	37,230	-
Loans held for sale	107,351	107,351	-	107,351	-	-
Servicing rights	322,219	322,219	-	-	322,219	-
Derivative assets	1,900	1,900	-	119,213	-	(117,313)
Derivative liabilities	1,588	1,588	-	29,584	-	(27,996)
Measured at fair value on a nonrecurring basis						
Taxi medallion collateral	39,120	39,120	-	-	39,120	-
Loans held for investment	107,700	107,700	-	-	107,700	-
Other real estate owned, net	2,421	2,421	-	-	2,421	-
Total	\$ 4,709,525	\$ 4,709,525	\$ 863,045	\$ 3,427,107	\$ 508,690	\$ (89,317)

As of December 31, 2023	Net Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Netting & Cash Collateral
Measured at fair value on a recurring basis						
Cash and cash equivalents	\$ 681,660	\$ 681,660	\$ 681,660	\$ -	\$ -	\$ -
AFS debt securities	3,116,861	3,116,861	-	3,116,861	-	-
Loans held for investment	207,342	207,342	-	126,441	80,901	-
Loans held for sale	130,062	130,062	-	130,062	-	-
Servicing rights	296,590	296,590	-	-	296,590	-
Derivative assets	10,318	10,318	-	255,549	-	(245,231)
Derivative liabilities	1,104	1,104	-	72,867	-	(71,763)
Measured at fair value on a nonrecurring basis						
Taxi medallion collateral	8,152	8,152	-	-	8,152	-
Loans held for investment	141,274	141,274	-	-	141,274	-
Other real estate owned, net	640	640	-	-	640	-
Total	\$ 4,591,795	\$ 4,591,795	\$ 681,660	\$ 3,556,046	\$ 527,557	\$ (173,468)

During 2024 and 2023, there were no transfers between levels. Transfers into or out of Level 3 are made if the significant inputs used in the pricing models, measuring the fair values of the assets and liabilities became unobservable or observable, respectively.

Fair Value on a Recurring Basis

The following is a discussion of the valuation and inputs used by the Credit Union in estimating the fair value of assets and liabilities measured on a recurring basis.

AFS Debt Securities

The Credit Union receives pricing for AFS debt securities from a third-party pricing provider. These financial instruments are valued based on similar assets in the marketplace or derived from model-based valuation techniques, for which all significant assumptions are observable.

Loans Held For Investment

The fair value of taxicab medallion loans is based on discounting expected cash flows that consider the term of the loan. The discount rates used reflect the Credit Union's required return on the taxicab medallion loan investment. As the taxicab medallion loans valuation is based on unobservable inputs, the fair value of real estate loans is based on a market approach using comparable sales of similar loans in the marketplace.

Loans Held For Sale

The Credit Union elects the fair value option for select HFS loans. The Credit Union elects the fair value option in cases where hedge accounting treatment may not be achieved due to the inability to meet the hedge effectiveness testing criteria. The fair value of loans HFS is determined based on an evaluation of best execution forward sales contract prices sourced from the To-Be-Announced ("TBA") market by a government-sponsored mortgage agency.

Servicing Rights

Servicing assets do not trade in an active, open market with readily observable prices. The fair value of servicing rights is determined by whether adequate compensation is received. Servicing rights are recognized as separate assets (or liabilities) when loans are sold, and we retain the right to service these sold loans for a fee that provides more or less than adequate compensation. A servicing asset is recorded if the benefits of servicing are greater than adequate compensation; a servicing liability is recorded if the benefits of servicing are less than adequate compensation. No asset or liability is recognized if the benefits of servicing are equal to adequate compensation. Actual and expected loan prepayment, discount rate, servicing costs and other factors are considered in measurement, as the servicing rights valuation is based on unobservable inputs.

Derivative Assets/Liabilities

Derivative assets/liabilities are primarily transacted in the institutional dealer market and priced with observable market assumptions at a mid-market valuation point. The Credit Union estimates the fair value of a derivative that is not transacted in an active market using standard valuation techniques such as discounted cash-flow analysis and comparisons to similar instruments. The Credit Union is subject to nonperformance risk in derivative transactions due to the potential default by its derivative counterparties. To mitigate this risk, the Credit Union has entered into master netting agreements and credit support agreements with its derivative counterparties for its bilaterally executed derivative contracts that provide for the daily delivery of collateral.

The fair value of forward sales contracts is determined based on an evaluation of contract prices sourced from the TBA market by a government-sponsored mortgage agency.

The fair value of Interest Rate Lock Commitments are determined based on forward contract prices sourced from the TBA market, adjusted by the probability it will settle and become a loan.

Fair Value on a Non-Recurring Basis

The following is a discussion of the valuation of certain assets and liabilities that are measured at fair value on a non-recurring basis which are subject to fair value adjustments resulting from the application of the lower of cost or fair value accounting, or the write-down of individual assets due to impairment.

Taxi Medallion Collateral

Medallions acquired through or in lieu of foreclosure are to be sold and are carried at lower of cost or fair value, less estimated costs to sell. Fair value is based upon the estimated discounted cash flows generated by the collateral of the underlying medallions. These assets are included in Level 3 of the fair value hierarchy upon the lowest level of input that is significant to the fair value measurement.

Loans Held For Investment Individually Assessed, Net

If an expectation of cash flows exist, impaired loans are recorded at the modified future expected cash flows, discounted at the loan's original effective interest rate. Impaired loans that are collateral dependent are recorded at the collateral value, net of estimated costs to sell.

Real Estate Owned, Net

REO assets are recorded at the lower of cost or fair value, less costs to sell. Fair value is determined using an automated valuation methodology. The Credit Union utilizes appraised values, less estimated selling expenses, to estimate the fair market value of the collateral. During the holding period, updated appraisals are obtained periodically to reflect changes in fair value. A home appraisal involves a certified, state-licensed professional determining the value of the property through an inspection and comparison to other home sales.

During 2024 and 2023, there were no transfers between fair value hierarchy levels. The tables below present the rollforwards for the years ended December 31, 2024 and 2023, for all Level 3 assets that are measured at fair value on a recurring basis:

	Fair Value Measurements Using Significant Unobservable Inputs	
	December 31, 2024	December 31, 2023
Servicing rights at beginning of year	\$ 296,590	\$ 273,196
Fair value adjustment	38	(13,498)
Issuances	25,591	36,892
Servicing rights at end of year	\$ 322,219	\$ 296,590

	Fair Value Measurements Using Significant Unobservable Inputs	
	December 31, 2024	December 31, 2023
Taxi medallion loans at beginning of year	\$ 80,901	\$ 90,418
Fair value adjustment	3,645	137
Principal paydown	(47,316)	(9,654)
Taxi medallion loans at end of year	\$ 37,230	\$ 80,901

NOTE 17 – DERIVATIVE INSTRUMENTS

Derivatives recognized in the consolidated statements of financial condition as of December 31, 2024 and December 31, 2023 are as follows:

December 31, 2024			
	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives with Legal Right of Offset			
Designated as Hedges			
Fair Value Hedges			
Interest Rate Swaps	\$ 5,937,025	\$ 107,664	\$ (12,334)
Total Derivatives Designated as Hedges	\$ 5,937,025	\$ 107,664	\$ (12,334)
Derivatives Not Designated as Hedges			
Interest Rate Swaps	1,225,129	9,682	(17,250)
Total Derivatives Not Designated as Hedges	\$ 1,225,129	\$ 9,682	\$ (17,250)
Total Derivatives Gross	7,162,154	117,346	(29,584)
Less: Netting - Financial Instruments	-	(29,584)	29,584
Less: Netting - Cash Collateral	-	(87,729)	(1,588)
Total Derivatives Recognized with Legal Right of Offset	\$ 7,162,154	\$ 33	\$ (1,588)
Derivatives without Legal Right of Offset			
Derivatives Not Designated as Hedges			
MBS Forward Contracts	176,434	953	-
Interest Rate Lock Commitments	120,404	914	-
Total Derivatives Recognized without Legal Right of Offset	\$ 296,838	\$ 1,867	\$ -
Total Derivatives Recognized within Other Assets and Other Liabilities		\$ 1,900	\$ (1,588)
December 31, 2023			
	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives with Legal Right of Offset			
Designated as Hedges			
Cash Flow Hedges			
Interest Rate Swaps	\$ 1,615,000	\$ 138,095	\$ -
Fair Value Hedges			
Interest Rate Swaps	\$ 7,567,132	\$ 104,925	\$ (69,562)
Total Derivatives Designated as Hedges	\$ 9,182,132	\$ 243,020	\$ (69,562)
Derivatives Not Designated as Hedges			
Interest Rate Swaps	825,000	10,673	(2,309)
Total Derivatives Not Designated as Hedges	\$ 825,000	\$ 10,673	\$ (2,309)
Total Derivatives Gross	10,007,132	253,693	(71,871)
Less: Netting - Financial Instruments	-	(50,435)	50,435
Less: Netting - Cash Collateral	-	(194,796)	21,328
Total Derivatives Recognized with Legal Right of Offset	\$ 10,007,132	\$ 8,462	\$ (108)
Derivatives without Legal Right of Offset			
Derivatives Not Designated as Hedges			
MBS Forward Contracts	168,350	-	(996)
Interest Rate Lock Commitments	172,736	1,856	-
Total Derivatives Recognized without Legal Right of Offset	\$ 341,086	\$ 1,856	\$ (996)
Total Derivatives Recognized within Other Assets and Other Liabilities		\$ 10,318	\$ (1,104)

At December 31, 2024 and 2023, we had no additional credit exposure due to pledging of noncash collateral to its counterparties, which exceeded its net derivative bilateral position.

Cash Flow Hedges

The Credit Union enters interest rate swaps as cash flow hedges of forecasted variable rate cash flows related to FHLB borrowings and certain deposit accounts.

In June 2024, the Credit Union de-designated and terminated all its interest rate swaps designated in cash flow hedging relationships. On an ongoing basis, the Credit Union assesses the probability of the previously hedged cash flows. If the cash flows remain probable of occurring, or are possible of occurring, then the net gains associated with those cash flows are amortized into interest expense over the remaining life of the de-designated swap. If the previously hedged cash flows are determined to be probable of not occurring, the net gains associated with those cash flows are reclassified into non-interest income. During 2024, the Credit Union reclassified \$124,190 into non-interest income.

The following amounts were recorded in the consolidated statements of financial condition, related to gains and losses on cash flow hedges for the years ended December 31:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivatives		Location of Gain or (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
	2024	2023		2024	2023
Interest rate swaps	\$ 39,851	\$ (44,078)	Interest expense	\$ (46,461)	\$ (5,954)
			Non-interest income	(124,190)	-
Total	\$ 39,851	\$ (44,078)	Total	\$ (170,651)	\$ (5,954)

Fair Value Hedges

The Credit Union enters interest rate swaps as fair value hedges of designated closed-end mortgage portfolios in portfolio layer hedging relationships as well as certain AFS debt securities.

The following amounts were recorded in the consolidated statements of financial condition, related to cumulative basis adjustments for fair value hedges as of December 31, 2024 and 2023:

Line item in the consolidated statements of financial condition in which the hedged item is included	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Discontinued hedge relationships	
	2024	2023	2024	2023	2024	2023
Loans, net of allowance	\$ 8,106,139	\$ 8,676,176	\$ (188,505)	\$ (105,537)	\$ (112,796)	\$ (67,475)
AFS debt securities, net of allowance	814,728	570,835	(17,931)	7,118	(9,257)	(10,347)
Total	\$ 8,920,867	\$ 9,247,011	\$ (206,436)	\$ (98,419)	\$ (122,053)	\$ (77,822)

	2024	2023
Portfolio Layer Hedge Relationships		
Amortized cost basis of closed portfolios used in the portfolio layer designation (included in the totals above)	\$ 8,106,139	\$ 8,676,176
Cumulative basis adjustments associated with portfolio layer hedging relationships:		
Unallocated basis adjustments	(75,709)	(38,062)
Discontinued hedge relationships ⁽¹⁾	(112,796)	(67,475)
Total	\$ (188,505)	\$ (105,537)
Amount of the designated hedged items	\$ 5,085,850	\$ 6,999,000

⁽¹⁾ During the year ended December 31, 2024, the Credit Union voluntarily de-designated \$4,100,000 in notional interest rate swaps that were designated in a portfolio layer method hedge relationship. During December 31, 2023, the Credit Union voluntarily de-designated \$2,000,000 in notional interest rate swaps that were designated in a portfolio layer method hedge relationship.

Economic Hedges

Mortgage Loan Pipeline

The Credit Union enters other derivatives which are not designated in a hedging relationship and are accounted for as economic hedges. Loan commitments made to residential mortgage borrowers where the Credit Union intends to sell the loan once funded are considered derivatives. These loan commitments expose the Credit Union to interest rate risk. Additionally, once a mortgage loan intended for resale is funded, it is accounted for under the fair value option. To mitigate these risks, the Credit Union enters forward purchases (or sales) of TBA agency mortgage-backed securities, which are also accounted for as derivatives.

Other Economic Hedges

The Credit Union enters interest rate swaps to hedge volatility in the fair value of both certain mortgage loans accounted for under the fair value option as well as its mortgage servicing rights.

Consolidated Statement of Income Impact of Derivatives

The consolidated statement of income impact of derivatives for the years ending December 31, 2024 and 2023 was as follows:

Consolidated Statement of Income - Impact of Derivatives	For the Year Ended December 31, 2024				
	Net Interest Income			Non-Interest Income	
	Investment Securities	Loans	Borrowings	Mortgage Banking Activities	Other
Derivatives Designated as Hedges					
Fair Value Hedging Relationships					
Interest Rate Swaps					
Net Interest Settlements on Derivatives	\$ 10,756	\$ 71,148	\$ -	\$ -	\$ -
Gains/(Losses) on Fair Value of Derivatives	8,583	92,421	-	-	-
Gains/(Losses) on Hedged Items	(8,675)	(92,447)	-	-	-
Net Income on Fair Value Hedges	\$ 10,664	\$ 71,122	\$ -	\$ -	\$ -
Cash Flow Hedging Relationships					
Interest Rate Swaps					
Net Interest Settlements on Derivatives	\$ -	\$ -	\$ 14,742	\$ -	\$ -
Reclassifications of Gains/(Losses) on Derivatives	-	-	46,461	-	124,190
Amortization of Excluded Components	-	-	(3,904)	-	-
Net Income on Cash Flow Hedges	\$ -	\$ -	\$ 57,299	\$ -	\$ 124,190
Derivatives Not Designated as Hedges					
Mortgage Banking					
MBS Forward Contracts					
Gains/(Losses) on Fair Value of Derivatives	\$ -	\$ -	\$ -	\$ 1,953	\$ -
Interest Rate Lock Commitments					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	(942)	-
Mortgage Servicing Rights					
Interest Rate Swaps					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	-	(22,540)
Net Interest Settlements on Derivatives	-	-	-	-	(161)
Mortgage Loans at Fair Value					
Interest Rate Swaps					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	-	4,684
Net Interest Settlements on Derivatives	-	-	-	-	1,682
Other					
Interest Rate Swaps					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	-	(1,075)
Net Income on Economic Hedges	\$ -	\$ -	\$ -	\$ 1,011	\$ (17,410)
Net Income on Derivatives	\$ 10,664	\$ 71,122	\$ 57,299	\$ 1,011	\$ 106,780

For the year ended December 31, 2023					
Consolidated Statement of Income - Impact of Derivatives	Net Interest Income			Non-Interest Income	
	Investment Securities	Loans	Borrowings	Mortgage Banking Activities	Other
Derivatives Designated as Hedges					
Fair Value Hedging Relationships					
Interest Rate Swaps					
Net Interest Settlements on Derivatives	\$ 4,162	\$ 71,951	\$ -	\$ -	\$ -
Gains/(Losses) on Fair Value of Derivatives	10,441	(74,525)	-	-	-
Gains/(Losses) on Hedged Items	(10,528)	75,729	-	-	-
Net Income on Fair Value Hedges	\$ 4,075	\$ 73,155	\$ -	\$ -	\$ -
Cash Flow Hedging Relationships					
Interest Rate Swaps					
Net Interest Settlements on Derivatives	\$ -	\$ -	\$ 89,834	\$ -	\$ -
Reclassifications of Gains/(Losses) on Derivatives	-	-	5,954	-	-
Amortization of Excluded Components	-	-	(4,589)	-	-
Net Income on Cash Flow Hedges	\$ -	\$ -	\$ 91,199	\$ -	\$ -
Derivatives Not Designated as Hedges					
Mortgage Banking					
MBS Forward Contracts					
Gains/(Losses) on Fair Value of Derivatives	\$ -	\$ -	\$ -	(1,841)	\$ -
Interest Rate Lock Commitments					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	1,423	-
Mortgage Servicing Rights					
Interest Rate Swaps					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	-	(1,766)
Net Interest Settlements on Derivatives	-	-	-	-	90
Mortgage Loans at Fair Value					
Interest Rate Swaps					
Gains/(Losses) on Fair Value of Derivatives	-	-	-	-	(557)
Net Interest Settlements on Derivatives	-	-	-	-	838
Net Income on Economic Hedges	\$ -	\$ -	\$ -	\$ (418)	\$ (1,395)
Net Income on Derivatives	\$ 4,075	\$ 73,155	\$ 91,199	\$ (418)	\$ (1,395)

NOTE 18 - ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes AOCI as of and for the years ending December 31, 2024 and 2023:

Accumulated Other Comprehensive Income (AOCI)	Unrealized Net Gains/(Losses) on AFS Securities	Unrealized Net Gains/(Losses) on Cash Flow Derivatives	Unrecognized Net Pension and Postretirement Amounts	Total
Balance as of January 1, 2023	\$ (269,116)	\$ 363,539	\$ (17,945)	\$ 76,478
Increase/(decrease)	43,329	(44,078)	9,867	9,118
Reclassifications	-	(5,954)	1,443	(4,511)
Balance as of December 31, 2023	\$ (225,787)	\$ 313,507	\$ (6,635)	\$ 81,085
Increase/(decrease)	21,121	39,851	(3,169)	57,803
Reclassifications	-	(170,651)	725	(169,926)
Balance as of December 31, 2024	\$ (204,666)	\$ 182,707	\$ (9,079)	\$ (31,038)

NOTE 19 – CONCENTRATION OF RISK

The Credit Union originates and services different types of loans throughout the United States and its territories. It also extends loans to military personnel stationed outside the United States. For operational and strategic reasons the Credit Union outsources servicing of some loans acquired through mergers and acquisitions.

Geographical Concentration

The geographical concentration risk for all loans we service is where the geographical distribution of total outstanding principal loan balances has a concentration of 10% or more in a state. As of December 31, 2024, California had a concentration percentage of 26% and unpaid principal balances of \$6,472,641. As of December 31, 2023, California had a concentration of 24% and unpaid principal balances of \$7,032,065.

NOTE 20 – SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events through March 31, 2025, the date when these consolidated financial statements were issued. There were no events that have occurred that would require adjustments to its disclosures included in the financial statements for the period ended December 31, 2024.

