



# Annual Report

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Federally Insured by NCUA

## Board of Directors

Chair | Arland A. White Jr.

Vice Chair | R. Allen Brisentine

Treasurer | James F. Kalkbrenner

Secretary | Ross Brinson

Director | Pankaj R. Belani

Director | Scott K. Brown

Director | Monte S. Dzurenko

Director | Tammy Lumsden

Director | Marcus S. Parker

Director | Harley E. Parkes

Director | Tom Woods

## Financial Highlights

### Tower Federal Credit Union and Subsidiary

for the years ended December 31,

|                           | 2022        | 2021        | % Change |
|---------------------------|-------------|-------------|----------|
| Members                   | 217,061     | 203,562     | 6.6%     |
| Assets                    | \$4,087,397 | \$4,068,592 | 0.5%     |
| Members' savings          | \$3,623,950 | \$3,574,368 | 1.4%     |
| Loans                     | \$3,217,901 | \$2,681,035 | 20.0%    |
| Members' equity           | \$529,141   | \$489,962   | 8.0%     |
| Net interest income       | \$113,340   | \$99,384    | 14.0%    |
| Provision for loan losses | \$2,965     | \$4,025     | -26.3%   |
| Non-interest income       | \$31,815    | \$31,018    | 2.6%     |
| Non-interest expense      | \$103,010   | \$97,224    | 6.0%     |
| Net income                | \$39,179    | \$29,153    | 34.4%    |

(Dollars in thousands)

## Consolidated Statements of Income

# Tower Federal Credit Union and Subsidiary

for the years ended December 31,

|  | 2022            | 2021            |
|--|-----------------|-----------------|
| <b>Interest income</b>                                     |                 |                 |
| Interest on loans receivable                               | \$114,476       | \$101,333       |
| Interest on Investments                                    | 13,519          | 4,239           |
| <b>Interest income</b>                                     | <b>127,995</b>  | <b>105,572</b>  |
| <b>Interest expense</b>                                    |                 |                 |
| Dividends on members' share and savings accounts           | 14,655          | 6,188           |
| <b>Interest expense</b>                                    | <b>14,655</b>   | <b>6,188</b>    |
| <b>Net interest income</b>                                 | <b>113,340</b>  | <b>99,384</b>   |
| Provision for loan losses                                  | 2,965           | 4,025           |
| <b>Net interest income after provision for loan losses</b> | <b>110,374</b>  | <b>95,359</b>   |
| <b>Non-interest income</b>                                 |                 |                 |
| Service charges  | 12,980          | 12,750          |
| Card income  | 10,763          | 8,538           |
| Investment management fees                                 | 3,826           | 3,832           |
| Gains on sale of loans                                     | 16              | 2,678           |
| Income from TFCUFS   | 1,131           | 1,745           |
| Miscellaneous income                                       | 3,099           | 1,475           |
| <b>Non-interest income</b>                                 | <b>31,815</b>   | <b>31,018</b>   |
| <b>Non-interest expense</b>                                |                 |                 |
| Employee compensation and benefits                         | 63,111          | 60,797          |
| Office occupancy and operations                            | 25,318          | 22,813          |
| Other operating expenses                                   | 14,581          | 13,614          |
| <b>Non-interest expense</b>                                | <b>103,010</b>  | <b>97,224</b>   |
| <b>Net income</b>  | <b>\$39,179</b> | <b>\$29,153</b> |

(Dollars in thousands)

Consolidated Statements of Financial Condition  
**Tower Federal Credit Union and Subsidiary**

for the years ended December 31,

|  | 2022               | 2021               |
|--|--------------------|--------------------|
| <b>Assets</b>                                      |                    |                    |
| Cash and cash equivalents                          | \$127,873          | \$789,697          |
| Investments-available for sale                     | 609,705            | 478,001            |
| Investments-held to maturity                       | 2,659              | 2,903              |
| Investments-other                                  | 202                | 202                |
| Federal Home Loan Bank stock                       | 2,034              | 1,856              |
| Loans to members, net of allowance for loan losses | 3,217,901          | 2,681,035          |
| Accrued interest receivable                        | 13,059             | 7,019              |
| Premises and equipment, net                        | 37,070             | 37,896             |
| National Credit Union Share Insurance Fund deposit | 33,673             | 32,773             |
| Other assets                                       | 43,221             | 37,210             |
| <b>Total assets</b>                                | <b>\$4,087,397</b> | <b>\$4,068,592</b> |
| <b>Liabilities and members' equity</b>             |                    |                    |
| <b>Liabilities</b>                                 |                    |                    |
| Members' share and savings accounts                | \$3,623,950        | \$3,574,368        |
| Interest payable                                   | 151                | 143                |
| Accrued expenses and other liabilities             | 35,902             | 45,693             |
| <b>Total liabilities</b>                           | <b>3,660,003</b>   | <b>3,620,204</b>   |
| <b>Members' equity</b>                             |                    |                    |
| Regular reserves                                   | 33,371             | 33,371             |
| Undivided earnings                                 | 494,644            | 455,465            |
| Equity acquired in merger                          | 1,126              | 1,126              |
| Accumulated other comprehensive income             | (101,747)          | (41,574)           |
| <b>Total members' equity</b>                       | <b>427,394</b>     | <b>448,388</b>     |
| <b>Total liabilities and members' equity</b>       | <b>\$4,087,397</b> | <b>\$4,068,592</b> |

(Dollars in thousands)

## Message from the Board Chair

I'm pleased to report that Tower again experienced positive financial results last year, ending 2022 with over \$4.0 billion in assets and more than 217,000 members worldwide. Despite a continued tumultuous financial market, we remained steadfast in our commitment to providing superior, personalized service for our members around the world, all the while adhering to our high standards of safety, security, and soundness.

In February, we underwent a major technology upgrade—the largest in Tower's history. The technology upgrade went fairly smoothly, given the massive undertaking that it was, with some hiccups along the way as to be expected. I, along with Tower's Board, am proud of the teamwork our employees showed during the entire upgrade, and especially appreciate the patience of our members as we made significant changes to our core system. This necessary upgrade allows us to serve you better, offer enhanced products and digital services, and provide innovations for the future.

I'm proud to note that Tower was named—for a second year in a row—Maryland's #1 Best-in-State Credit Union by the prestigious Forbes Magazine, honoring the top credit unions nationwide. This first-place honor is once again largely due to our outstanding team of employees and their commitment to providing superior member service, along with our full offering of low or no fee products and services, great rates, convenient digital banking, focus on financial education, community involvement, and member give-back. Overall, Tower members saved over \$49 million more, just by saving with us. That's the Tower Advantage!

**Tower was named Maryland's #1 Best-in-State Credit Union by Forbes Magazine.**



I'm equally proud to say that Tower was also once again designated a "great workplace" by the independent analysts at Great Place to Work®.

Tower earned this credential based on ratings provided by our employees in anonymous surveys. At Tower, we not only take care of our members, we take care of each other, and it shows in our surveys and ratings.

**Tower was designated a "great workplace" by the independent analysts at Great Place to Work®.**



As we all are aware, fraud continues to be on the rise. We remain vigilant, continuing to invest in new technologies and upgrades, and training our team to be on the watch for fraud and how to combat it. The security of our members' accounts is a top priority for your Board and Senior Management team, and we adhere to the highest levels of fraud detection and prevention.

In October, we again partnered with the National Cyber Security Alliance as a Champion for National Cybersecurity Awareness Month to help raise awareness and educate members about fraud. The theme was "See Yourself in Cyber," which demonstrates that although cybersecurity may be a complex subject to tackle, ultimately it comes down to people. We all need to make smart decisions whether on the job, at home, or at school to help protect ourselves and others online.

As a member-owner, Tower is *your* credit union, and we are here for you and your family, throughout all the ages and stages of life. We are steadfast in our mission of helping our members achieve a stronger financial future. Thank you for your membership and for your trust in us; it is our privilege to serve your financial needs.

**Arland A. White, Jr.**  
Board of Directors, Chair

## Supervisory Committee Report

Jason R. Bailey, Chair

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

The Supervisory Committee, through Tower's internal audit staff and consultants, performs assessments of business processes, using a risk-based approach, to ensure policies are effective and properly administered, and that ongoing improvements are being implemented to safeguard assets. The Committee engaged the services of the certified public accounting firm Nearman, Maynard, Vallez CPAs, P.A., to perform the required audit of Tower's 2022 financial statements. The National Credit Union Administration (NCUA), the regulatory agency for all federally-chartered credit unions, performs periodic examinations.

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

## Loan Review Committee Report

Shawn M. Cribb, Chair

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

Tower's Loan Review Committee uses a process that allows Tower members a simple and streamlined way to present their loan review requests to the committee. Tower recognizes that a credit union's best investment is a loan to a member. The character and capacity of the member to repay a loan are carefully considered in order to protect members' assets. Tower members have consistently proven to be good credit risks. This is evidenced by the consistency displayed with a net charge-off rate of just 0.05% of total loans in 2022, a rate far below industry standards. While the Federal Reserve has reported consistent increases in charge-offs for the last six quarters, Tower has not experienced any increase in charge-offs.

The Loan Review Committee received and evaluated thirty-five appeals from members in 2022. All thirty-five of these appeals did not complete the process to have the loan funded. There were zero overturned appeals.

## Treasurer's Report

James F. Kalkbrenner,  
Treasurer

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As of December 31, 2022, total assets grew to \$4.087 billion, an increase of \$18.5 million or 0.5% over the previous year's total of \$4.069 billion. During the course of 2022, total loan and members' savings increased by \$536.9 million and \$49.6 million, respectively. Loans made to members in 2022 totaled \$1.443 billion, driven primarily by \$793.7 million in residential mortgage and home equity loans and \$586.7 million in auto loans.

Tower's regulatory net worth to assets ratio was 13.0% as of December 31, 2022. This ratio significantly exceeds the 7% level required by NCUA regulations to be considered well capitalized. Tower's strong capital base provides the ability for us to compete successfully in a highly-competitive environment, thereby allowing us to expand and improve our product and service offerings, make needed investments in systems and information security, take advantage of future business opportunities and promote the safety and soundness of Tower. These ongoing efforts enable us to respond quickly to members' changing financial needs and to maintain the level of excellent service and information security they have come to expect.

Throughout 2022, interest rates increased for both short and long-term maturities. Tower was well positioned to benefit from the rising rate environment as our net interest income increased substantially in 2022, and as a result, our net income grew to \$39.2 million, an increase of \$10.0 million or 34.4% over 2021 results.

Total Assets Grew to

**\$4.087**  
Billion

An Increase of

**\$18.8**  
Million

An Increase of

**0.5%**  
over the previous year's  
total of \$4.068 billion



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