

Annual Report

2023

Federally Insured by NCUA



Board of Directors

Chair | Arland A. White Jr.

Vice Chair | James F. Kalkbrenner

Treasurer | Monte S. Dzurenko

Secretary | Ross Brinson

Director | Pankaj R. Belani

Director | Scott K. Brown

Director | Tammy Lumsden

Director | Marcus S. Parker

Director | Harley E. Parkes

Director | Janelle Romano

Director | Tom Woods

Financial Highlights

Tower Federal Credit Union and Subsidiary

for the years ended December 31,

	2023	2022	% Change
Members	220,022	217,061	2.3%
Assets	\$4,451,862	\$4,087,397	8.9%
Members' savings	\$3,734,447	\$3,623,950	3.0%
Loans	\$3,247,424	\$3,217,901	0.9%
Members' equity	\$566,570	\$529,141	7.1%
Net interest income	\$138,676	\$113,340	22.4%
Provision for loan losses	\$3,926	\$2,965	32.4%
Non-interest income	\$28,703	\$31,815	-9.8%
Non-interest expense	\$112,810	\$103,010	9.5%
Net income	\$50,643	\$39,179	29.3%

(Dollars in thousands)

Consolidated Statements of Income

Tower Federal Credit Union and Subsidiary

for the years ended December 31,

	2023	2022
Interest income		
Interest on loans receivable	\$167,411	\$114,476
Interest on investments	27,547	13,519
Interest income	194,958	127,995
Interest expense		
Dividends on members' share and savings accounts	56,282	14,655
Interest expense	56,282	14,655
Net interest income	138,676	113,340
Provision for loan losses	3,926	2,965
Net interest income after provision for loan losses	134,750	110,374
Non-interest income		
Service charges	12,714	12,980
Card income	9,822	10,763
Investment management fees	3,740	3,826
Gains on sale of loans	529	16
Income from TFCUFS	412	1,131
Miscellaneous income	1,486	3,099
Non-interest income	28,703	31,815
Non-interest expense		
Employee compensation and benefits	67,507	63,111
Office occupancy and operations	28,069	25,318
Other operating expenses	17,234	14,581
Non-interest expense	112,810	103,010
Net income	\$50,643	\$39,179

(Dollars in thousands)

Consolidated Statements of Financial Condition

Tower Federal Credit Union and Subsidiary

for the years ended December 31,

	2023	2022
Assets		
Cash and cash equivalents	\$527,274	\$127,873
Investments-available for sale	531,391	609,705
Investments-held to maturity	2,356	2,659
Investments-other	202	202
Federal Home Loan Bank stock	12,361	2,034
Loans to members, net of allowance for loan losses	3,247,424	3,217,901
Accrued interest receivable	14,842	13,059
Premises and equipment, net	38,454	37,070
National Credit Union Share Insurance Fund deposit	33,697	33,673
Other assets	43,861	43,221
Total assets	\$4,451,862	\$4,087,397
Liabilities and members' equity		
Liabilities		
Members' share and savings accounts	\$3,734,447	\$3,623,950
Borrowed funds	200,000	0
Interest payable	2,620	151
Accrued expenses and other liabilities	31,978	35,902
Total liabilities	3,969,045	3,660,003
Members' equity		
Undivided earnings	565,444	528,015
Equity acquired in merger	1,126	1,126
Accumulated other comprehensive income	(83,753)	(101,747)
Total members' equity	482,817	427,394
Total liabilities and members' equity	\$4,451,862	\$4,087,397

(Dollars in thousands)

Message from the Board Chair

2023 was a milestone year for Tower. We started the year celebrating Tower's 70th anniversary in February. Hard to believe sometimes that we were founded in 1953 by seven agency employees contributing just \$5 each!

From those humble beginnings, seven decades later Tower is one of the largest credit unions in Maryland with over \$4.5 billion in assets as of the end of 2023 and more than 220,000 members worldwide. Wow! The past seventy years have certainly been eventful, and we've seen a lot of changes both at Tower and in the world around us.

One thing, however, has never changed: our commitment to you, our members, to provide a safe and secure haven for your accounts; to consistently deliver superior, personalized service; and to offer top-notch products and services that help promote your financial well-being.

To that end, we launched a refreshed brand in March—our first updated brand in over 40 years! Our refreshed brand accelerates Tower's vision to deliver greater member value, smarter technology, and personal service to help our members achieve a stronger financial future. Our new logo represents security and innovation, with a human touch, and the Tower name stands proud, inspired by our history and evolved for today. The brand refresh renewed our commitment to our loyal members, employees, and local communities. It better tells the Tower story, will help us move forward into a brighter future, and better connects us to a new generation of members.

To celebrate the refreshed brand and commemorate our 70-year milestone, we made a special \$70,000 donation to seven local charities supported by the TowerCares Foundation, Tower's philanthropic arm. The donations were even more special because Tower employees helped choose the charities.

We continue to invest in the latest technologies, to help fight fraud and keep your accounts secure, while at the same time offering the conveniences you've come to expect from your credit union. This year, we equipped more Tower branches with the latest in video banking technology for safer, more efficient transactions. We hosted a Shred Day at our Laurel Headquarters in May, to help members safely dispose of sensitive documents. We launched a new Fraud & Security center on our website, which offers a

wealth of resources, articles, and tips to help prevent fraud and avoid scams. In October, we once again dedicated our TowerLine newsletter to cybersecurity and fraud prevention as part of Cybersecurity Awareness Month.

We remain laser focused on delivering our promise of providing the best member value around, and our commitment to putting our members first is unparalleled. In fact, did you know that as of the end of the year, Tower members earned and saved \$69 million more just by banking with us? We did not follow the industry trend to raise interest rates on our Home Equity Line of Credit (HELOC), and our members with a HELOC saved over \$6 million this year! Our Money Market savings account and Share Certificate rates were also some of the highest in Tower's history, so our members earned even more on their deposits.

Your volunteer Board of Directors saw a few notable changes this year. Former Board Vice-Chairman Allen Brisentine III retired after 22 years of service. Allen is a great advocate for Tower members and will be missed on the Board; however, I am happy to say that he didn't go far and now serves as Chairman of the TowerCares Foundation Board. We also welcomed a new Board member, Janelle Romano. She brings to Tower a strong background in cybersecurity strategy, and we are fortunate to have her. I'm also pleased to say that both Thomas Woods, Jr. and I were re-elected for another three-year term. Thank you to those who voted. Your Board is proud to stand with you and I would like to again thank the many volunteer Board and committee members that support and guide Tower.

I am also proud to say that Tower consistently ranks high in independent industry surveys, which is especially meaningful because they are voluntary surveys taken by you, our members. A member survey by the Raddon Group placed Tower in the 99th percentile, which means we are outperforming 99% of credit unions. Your Board of Directors and Senior Management Committee take the results of these surveys very seriously, and we will continue to deliver outstanding member service and value for you in 2024 and beyond.

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

Supervisory Committee Report

Jason R. Bailey, Chair

The Supervisory Committee has two main purposes: to ensure that management's financial reporting is in accordance with generally accepted accounting principles; and that its practices and procedures safeguard members' assets. These goals are met, in part, by ensuring that Tower's management properly administers policies established by the Board of Directors, and maintains effective procedures to comply with laws and regulations, 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 2023 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

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 0.09% (up from 0.05% in 2022) of total loans in 2023, 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 61 appeals from members in 2023, up considerably from 35 in 2022. Of these sixty-one loans, two were overturned and approved by the Loan Review Committee, one of which ended up funding.

Treasurer's Report

Monte S. Dzurenko,
Treasurer

As of December 31, 2023, total assets grew to \$4.452 billion, an increase of \$364.5 million or 8.9% over the previous year's total of \$4.087 billion. During the course of 2023, total loan and members' savings increased by \$27.2 million and \$110.5 million, respectively. Loans made to members in 2023 totaled \$847.1 million, driven primarily by \$495.3 million in residential mortgage and home equity loans and \$319.1 million in auto loans.

Tower's regulatory net worth to assets ratio was 12.9% as of December 31, 2023. This ratio significantly exceeds the 7% level required by NCUA regulations to be considered well-capitalized. Tower's strong capital base provides the ability for us to compete successfully in a highly competitive environment, allowing us to expand and improve our product and service offerings, make needed investments in systems and information security, take advantage of future business opportunities and promote the safety and soundness of Tower. These ongoing efforts enable us to respond quickly to members' changing financial needs and to maintain the level of excellent service and information security they have come to expect.

Throughout 2023, 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 2023, and as a result, our net income grew to \$50.6 million, an increase of \$11.4 million or 29.3% over 2022.

Total Assets Grew to

\$4.452
Billion

An Increase of

\$364.4
Million

An Increase of

8.9%
over the previous year's
total of \$4.087 billion



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