



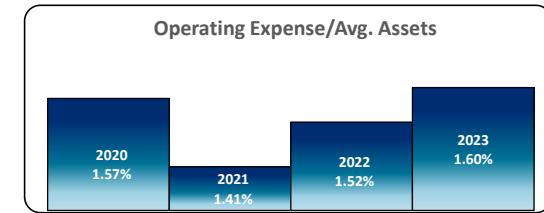
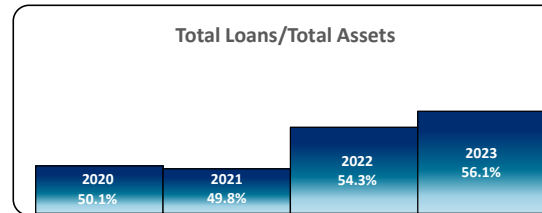
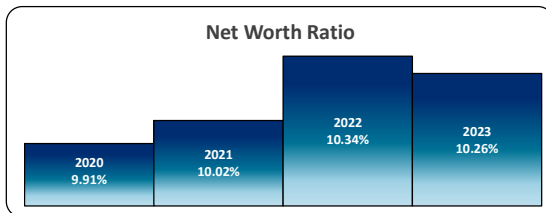
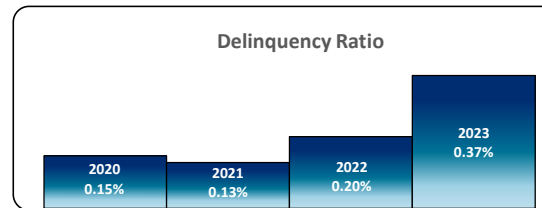
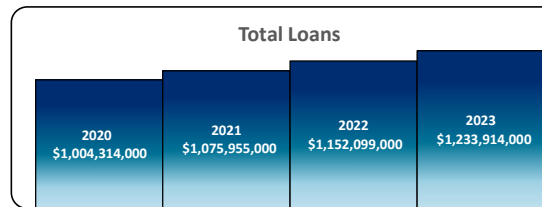
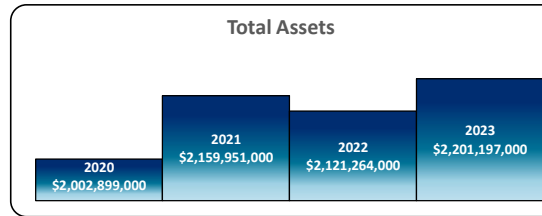
2023 Annual Report

Statements of Financial Condition December 31, 2023 and 2022 (unaudited)

	2023	2022
Assets (\$000)		
Loans:		
Real estate	\$ 620,451	\$ 629,575
Personal	486,120	477,072
Credit cards	43,126	39,085
Participations	84,217	6,367
Total Loans	1,233,914	1,152,099
Allowance for loan loss	(6,627)	(3,795)
Net Loans	1,227,287	1,148,304
Other:		
Investments	917,970	920,919
Other assets	55,939	52,041
Total Assets	2,201,197	2,121,264
Liabilities and Equity		
Liabilities:		
Shares accounts	\$ 359,622	\$ 440,627
Share drafts	242,213	255,405
Premium high yield	686,479	914,297
Certificates of deposit	688,862	287,015
Total Member Deposits	1,977,176	1,897,344
Other liabilities	42,989	33,164
Borrowing liability	5,000	40,000
Total Liabilities	2,025,165	1,970,508
Equity:		
Total Undivided Earnings	225,747	219,387
Net Unreal G/L on AFS	(49,715)	(68,631)
Total Equity	176,032	150,756
Total Liabilities and Equity	\$ 2,201,197	\$ 2,121,264

Statements of Earnings Years Ended December 31, 2023 and 2022 (unaudited)

	2023	2022
Income (\$000)		
Real estate loan income	\$ 25,201	\$ 23,094
Personal loan income	24,253	19,262
Credit card income	2,551	2,134
Participation loan income	2,000	276
Total loan income	54,005	44,766
Investment income	33,729	19,650
Total Interest Income	87,734	64,417
Total Interest Expense	40,362	14,596
Net Interest Income	47,372	49,821
Provision for loan loss	3,262	1,285
Other income	11,995	11,357
Operating expense	34,568	32,447
Net Income Before Rebates	21,537	27,446
Interest refund	8,861	9,569
Member saver reward	9,817	3,686
Debit card rebate	556	563
Total Member Giveback	19,234	13,818
Net Income Before Investment Gains/(Losses)	2,303	13,628
Net gain/(loss) on investments	5,341	(10,687)
Net Income	\$ 7,644	\$ 2,941



DOW CREDIT UNION

Report of the Treasurer

January 23, 2024

Thanks to our members, 2023 was another very successful year for Dow Credit Union. Total assets ended the year at \$2.2 billion, an increase of \$79.9 million, or 3.8% from 2022. Likewise, member deposits increased by \$79.8 million to \$1.98 billion, or 4.2%. Our growth in deposits was well ahead of the industry, as commercial bank deposits fell by 1.72% in 2023. And finally, membership increased by 3,452 to end the year at 80,993 as we continue to provide more people our top-notch banking services. All of this was accomplished while also completing several key operational projects and opening a new branch in Saginaw Township to better serve our growing regional membership while also supplying operational redundancy.

As we round out the year and start a new one, I want to start by thanking the Board, our Supervisory Committee members, other committee volunteers, and the entire staff for your diligence and insights and for serving our members well, whether through direct interaction or through behind the scenes administration and support.

MEMBER GIVEBACK

In January we paid a Member Giveback for the 43rd year in a row. We paid out \$19.2 million in Member Giveback to our member/owners. This was made up of an interest rebate of \$8.9 million, or 35%, of interest paid on rebate-eligible loans and a Member Saver Reward of \$9.8 million, or 35%, as additional interest on eligible shares and deposits. Lastly, we paid \$556 thousand in debit card rewards based on net purchase dollars. Our \$19.2 million Member Giveback represented .87% of assets, and your credit union was once again recognized by the Credit Union National Association (CUNA) as a national leader in member value. We gratefully thank you for your loyal membership and use of Dow Credit Union products which enables this magnificent member benefit.

Dow Credit Union 2023 RESULTS

Loans increased to \$1.23 billion in 2023, an increase of \$81.8 million over the prior year, or 7.1%. Dow Credit Union real estate loan balances declined 1.4%, or \$9.1 million, to \$620.5 million, while consumer loan balances climbed 1.9%, or \$9.0 million, to \$486.1 million. Due to the impact of inflation and waning consumer liquidity, consumer spending using unsecured debt was up which led to an increase in credit card balances in 2023 of 10.3%, or \$4.0 million, to \$43.1 million. Due to tight liquidity for many other financial institutions nationwide, loan participations from other credit unions became a very attractive investment opportunity. Loan participation balances increased by \$77.9 million to \$84.2 million.

Net Interest Income (the spread that we earn when deposits are put to work in loans and investments) was down \$2.4 million from 2022, as Dow Credit Union offered top tier pricing on certificates of deposits and premium high yield savings to our members as a means to grow deposits. The rising interest rate environment led to an increase in income from loans and investments of \$23.3 million, which was offset by a \$25.8 million increase in interest expense as Premium High Yield and CD accounts repriced higher. Other income increased by \$638 thousand in 2023 to \$12.0 million, mainly due to ATM fees charged to non-members, increased CD penalties where members paid a fee to close out a CD early, and income from the sale of mortgages to Fannie Mae.

Like other financial institutions across the country, we increased our Provision for Loan Loss Expense due to implementation of the Current Expected Credit Losses (CECL) standard, an accounting guidance change which requires a lender to book a reserve for the expected lifetime losses on loans at the time that they are made. Provision expense climbed by \$2.0 million during 2023 due to the CECL methodology adoption combined with \$81.8 million of loan growth.

Expenses from operations in 2023 totaled \$34.6 million, an increase of \$2.1 million, or 6.5%, from 2022. Cost drivers included higher salary and benefit expenses, a new member service platform, debit and credit card reissuance costs, lower loan origination cost deferrals, and Saginaw branch start-up costs. Despite this, we have consistently controlled operating expenses below 2% of average assets. In fact, in the most recent aggregate credit union performance report, Dow Credit Union had approximately one-half the operating expense ratio of credit unions in its peer group.

As part of our \$918 million investment portfolio, Dow Credit Union owns \$56 million of mutual funds that provide diversification of asset classes. Certain mark-to-market gains and losses on our bond and mutual fund investments flow through the income statement, and our net gain on investments during the year was \$5.3 million.

Even after the dividends, interest, operating expenses, Member Saver Reward, Loan Interest Refunds and the VISA Check Card rebate, Dow Credit Union was still able to contribute \$7.6 million to undivided earnings in 2023. The Net Worth ratio of Net Worth to Total Assets at year-end stood at 10.26% compared to 10.34% the previous year, well ahead of the 7% required to be “well-capitalized” under NCUA guidelines.

Thank you to our members for allowing us to serve you during this year. In closing, I would like to thank the Board of Directors, the Committees, our members and especially, the entire Credit Union staff for making 2023 such a rewarding and successful year as we seek to be “Multipliers For Good” every day.

Respectfully Submitted,

Michael Goad
Assistant Treasurer