



2021 Annual Report



clearwater
CREDIT UNION

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Letter From the CEO and Board Chair

The year 2021 was another extraordinary year for Clearwater.

We continued to navigate through operating challenges as Covid waves flowed, ebbed, and flowed again within the communities we serve. We adapted to changing rules and regulations, monitored changing CDC health guidance, and managed through challenging staffing shortages. Through it all, our teams worked incredibly hard. They put mission first. They supported one another. They practiced values-based banking. And they delivered another record-breaking performance for the credit union.

Perhaps most importantly, the membership growth rate in 2021 was, at 4.25%, one of the highest we have ever recorded. We attracted more new members than we have in recent years, and we lost fewer existing members to closed or dormant accounts. This is an important metric for us as it holds important information about our relevance and competitiveness in the eyes of new members, at the same time that it tells an important story about existing member satisfaction.

Deposit growth slowed a bit from the all-time highs we recorded in 2020, but at 16.75%, it remained well above historical norms and well above peer growth rates. The growth rate of outstanding loan balances, at 22.40%, was higher than that of deposit balances, enabling the credit union to continue to drive its loan to asset ratio upward, ending the year approaching 60%. Mortgage lending led the way, with consumer and business lending also contributing to significant growth in outstanding balances. Overall credit quality was stronger at YE 2021 than it was at YE 2020.

Net earnings on the year were incredibly strong at 205 basis points ROA. This helped us to regain some of the ground we lost with respect to our net worth ratio, which was diluted in 2020 by the extraordinary growth in the balance sheet. We remain a well-capitalized credit union at a 9.79% net worth ratio as of December 31, 2021.

In addition to these financial results, Clearwater's Board of Directors tasked its management team with demonstrating reach into new communities. In 2022 we will be developing partnerships in Great Falls and Bozeman in an effort to serve existing and build new membership bases in those communities. We are also reaching out to Native American people and communities.

As we grow and develop these new capacities, we also remain focused on the principles of values-based banking. We could not do any of this good work without you. We thank you very much for your membership in and support of Clearwater.

Jack Lawson
President & CEO

Tony Boote
Board Chair

Balance Sheet

	2020	2021	% Change
Loans	414,157,312	507,979,168	23%
Investments	297,565,267	327,838,148	10%
Other Assets	41,037,883	38,656,298	-6%
Total Assets	752,760,462	874,473,613	16%
Total Liabilities	9,816,447	12,112,156	23%
Savings	372,120,679	460,524,162	24%
Checking	237,504,845	273,731,236	15%
Certificates	55,449,826	42,225,751	-24%
Total Deposits	665,075,350	776,481,149	17%
Net Worth	67,933,284	85,635,818	26%
Unrealized Gain/Loss	9,935,380	244,490	-98%
Total Equity	77,868,664	85,880,308	10%
Total Liabilities, Deposits, & Equity	752,760,462	874,473,613	16%

Income Statement

Interest Income	2020	2021	% Change
Loan Interest	16,272,678	19,964,700	23%
Investment Interest	4,984,870	3,718,284	-25%
Total Interest Income	21,257,548	23,682,984	11%

Interest Expense			
Interest Paid to Members	1,634,088	1,117,833	-32%
Interest on Borrowed Funds	182,452	153,914	-16%
Total Interest Expense	1,816,540	1,271,747	-30%

Net Interest Income	19,441,008	22,411,237	15%
Provision for Loan Loss (PLL)	2,454,117	533,173	-78%
Net Interest Income After PLL	16,986,891	21,878,064	29%

Other Operating Income	10,974,098	12,088,323	10%
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Operating Expenses			
Compensation & Benefits	12,749,535	12,562,730	-1%
Office Occupancy	1,482,596	1,591,843	7%
Office Operations	3,462,641	3,360,681	-3%
Educational/Promotional	765,991	865,202	13%
Loan Servicing	911,093	1,141,062	25%
Professional Services	2,985,369	2,966,013	-1%
NCUA Operating Fee	153,772	138,347	-10%
Other Expenses	839,067	1,384,316	65%
Operating Expenses	23,350,065	24,010,193	3%

Non-Operating Income (Expense)	1,819,799	6,746,340	271%
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Net Income	6,430,724	16,792,535	160%
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Our Financial Performance

Signs of Continued Growth

At year-end 2020, we reported record-breaking asset growth of 33% and record deposit growth of 36%. 2021 was also a year of continuous growth. Total assets closed the year 16% greater than what we saw in 2020 and as in 2020, balance sheet growth continued to be driven by increasing internal member saving, not external borrowing. Total member deposits grew by \$111 million, or 17% on the year. We continued to meet our members lending needs, with total loan balances increasing by \$94 million, or 22%.

Asset Quality

We also continue to have historically high credit quality. As the size and complexity of the loan portfolio has grown, we have been careful to help members into loans appropriate to their circumstances. The credit union's loan loss rate (actual losses) plus its delinquency rate (loans that are paying late) declined again from 0.31% in 2020 to 0.12% in 2021. We continue to be well reserved for potential credit issues.

Earnings

The credit union's net earnings performance also continues to be strong. The credit union's net interest margin decreased from 2.95% in 2020 to 2.75% in 2021. But several items contributed to a very strong return on assets of 2.05% in 2021. First, operating expenses were well managed and decreased relative to total assets again. Second, members returned to normal spending habits in 2021 and Clearwater's interchange income increased accordingly. Third, we realized a large gain on sales of several bonds from our securities portfolio. Finally, we were awarded a large award from the CDFI Fund in the amount of \$1.8 million.

Net Worth

The strong earnings in 2021 led to an increasing net worth to total asset ratio. The ratio ended 2021 at 9.79%, up from 9.02% in 2020. Another contributor to the increase in the ratio was secondary capital. Secondary capital is an uninsured deposit by another organization that is included in the net worth calculation. The U.S. Treasury will also place secondary capital at Clearwater sometime in 2022. This will further bolster the net worth ratio back to pre-pandemic levels.

	2017	2018	2019	2020	2021
Net Charge Off + Delinquency Ratio	1.62%	0.90%	0.53%	0.33%	0.13%
Net Interest Margin	3.09%	3.28%	3.46%	2.95%	2.75%
Return on Average Assets	85 bps	1.33 bps	1.06 bps	98 bps	205 bps
Net Worth Ratio	9.88%	10.63%	10.89%	9.02%	9.79%

Don Creveling
Board Treasurer



Mortgage Loan Originations

\$176,320,000

926 Loans



Mortgage Servicing Portfolio

\$504,000,000

3,000 Loans

Business Loan Originations

\$49,300,000



662 Loans

Consumer Loan Originations

\$87,890,000



5,880 Loans

Paycheck Protection Program Loan Originations

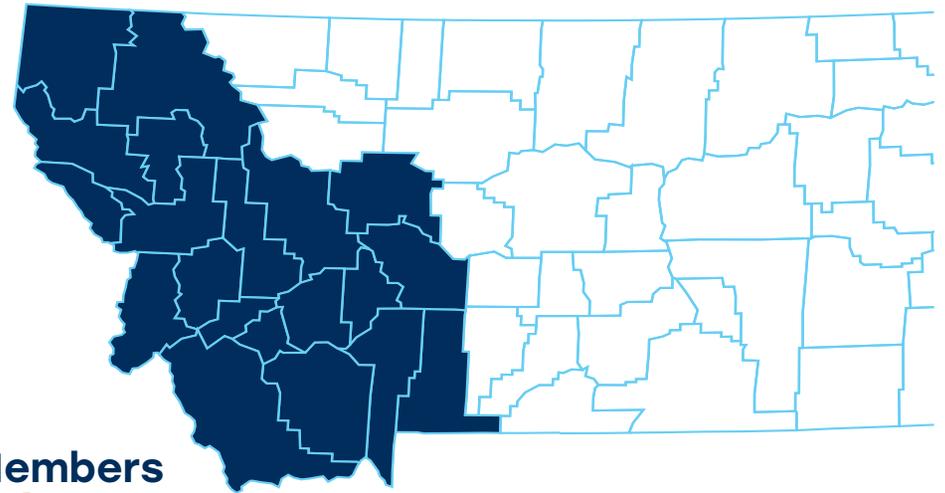
\$6,870,000



422 Loans



- #1 Best Bank/Credit Union
- #2 Green Business
- #3 Best Employer



New Members
4,602

Total Members
54,633

Montana's
2nd largest credit union



Scholarships
\$10,000
to 9 Students



Financial Counseling
466 Sessions

Philanthropy
\$744,530



5% of Net Income
151 Organizations

Empowering People
\$267,908



Protecting the Planet
\$114,947



Building Inclusive Economies
\$361,675



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