



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%
<b>Total Assets</b>	<b>752,760,462</b>	<b>874,473,613</b>	<b>16%</b>
<b>Total Liabilities</b>	<b>9,816,447</b>	<b>12,112,156</b>	<b>23%</b>
Savings	372,120,679	460,524,162	24%
Checking	237,504,845	273,731,236	15%
Certificates	55,449,826	42,225,751	-24%
<b>Total Deposits</b>	<b>665,075,350</b>	<b>776,481,149</b>	<b>17%</b>
Net Worth	67,933,284	85,635,818	26%
Unrealized Gain/Loss	9,935,380	244,490	-98%
<b>Total Equity</b>	<b>77,868,664</b>	<b>85,880,308</b>	<b>10%</b>
<b>Total Liabilities, Deposits, &amp; Equity</b>	<b>752,760,462</b>	<b>874,473,613</b>	<b>16%</b>

# Income Statement

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

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

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%

<b>Other Operating Income</b>	<b>10,974,098</b>	<b>12,088,323</b>	<b>10%</b>
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<b>Operating Expenses</b>			
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%
<b>Operating Expenses</b>	<b>23,350,065</b>	<b>24,010,193</b>	<b>3%</b>

<b>Non-Operating Income (Expense)</b>	<b>1,819,799</b>	<b>6,746,340</b>	<b>271%</b>
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<b>Net Income</b>	<b>6,430,724</b>	<b>16,792,535</b>	<b>160%</b>
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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

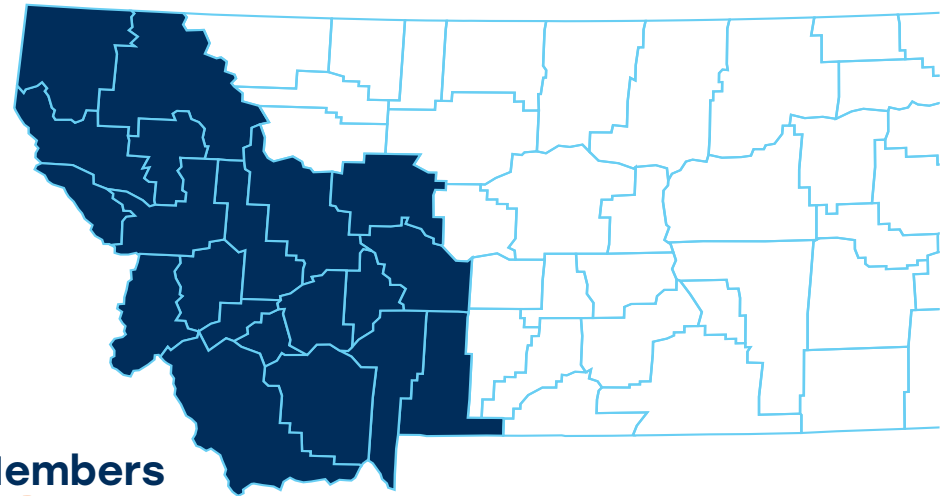
**\$6,870,000**



422 Loans



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



New Members  
**4,602**

Total Members  
**54,633**

Montana's  
**2<sup>nd</sup>** 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**



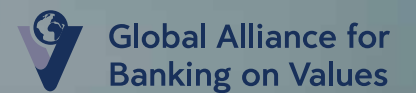
Building Inclusive Economies  
**\$361,675**





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