

2023 Annual Member Meeting

AGENDA

Welcome

Quorum Check & Call to Order

Approval of 2022 Annual Meeting Minutes

Tony Boote

Board Chair, Clearwater Credit Union

Uptown Butte History and Planning

NOW is a Great Time for Butte

Karen Byrnes

Executive Director, Urban Revitalization Agency

Shanna Adams

Uptown Butte Master Plan Association

CEO Report

Jack Lawson

President and CEO, Clearwater Credit Union

Financial Report

Don Creveling

Board Treasurer, Clearwater Credit Union

Supervisory Committee Report

Ryan Arthun

Supervisory Committee Chair,
Clearwater Credit Union

Nominating Committee Report

Leslie Halligan

Board Member, Clearwater Credit Union

Old Business

New Business

Tony Boote

Board Chair, Clearwater Credit Union

Philanthropy Announcement

JJ Adams

Board Member, Clearwater Credit Union

Member Q & A

Tony Boote

Board Chair, Clearwater Credit Union

2022 Annual Meeting Minutes

JUNE 13, 2022

Jack Lawson, Clearwater's President & CEO, welcomed members to the virtual Annual Member Meeting. Jack explained various features available through the virtual platform including how members could reference the Member Packet consisting of the agenda, written reports, financials, and 2021 Annual Meeting minutes.

Jack acknowledged the decision to host the Annual Member Meeting virtually, finding it allowed members who do not live in Missoula to participate with greater ease and is more inclusive to our entire membership. Jack also acknowledged the decision took away the celebration of gathering in person. He announced the Member Appreciation Events in Missoula, Butte, and Stevensville. He then announced that this year's Annual Meeting philanthropy will go to three local, nonprofit affordable housing organizations that will be presented during the Member Appreciation Events. The donations will be \$10,000 each to Homeward, Habitat for Humanity of Southwest Montana, and Habitat for Humanity of Ravalli County.

He introduced the Credit Union volunteers visible on the video call including Board Members Tony Boote, Leslie Halligan, Don Creveling, Geoff Gilbert, Kelly Webster, Martha Newell, JJ Adams, and Mike Kadas. He also introduced the Supervisory Chair, Ryan Arthun. Jack acknowledged that we are on the Aboriginal territories of the Salish and Kootenai people and honored the path they have set for caring for our land. Jack turned the meeting over to Board Chairman, Tony Boote, to begin the business meeting.

Tony turned to the evening's Registrar, Chief Operations Officer, Clint Summers, who confirmed a quorum was present with sixty-five members on the call. Tony then called the meeting to order at 5:41 PM. Tony confirmed the 2021 Annual Member Meeting minutes were distributed to members in the Member Packet and requested a motion to approve the minutes. Gwen Landquist MOVED to dispense with reading the minutes and approve them as presented. Heidi Hanson SECONDED. Tony asked for members to submit their vote through the virtual polling feature. Once submitted Tony confirmed a majority approval. MOTION CARRIED.

Tony turned the meeting back to Jack Lawson, to present the CEO Report. Jack began his presentation by giving heartfelt thanks to Clearwater's 165 employees. He discussed the public health crisis that hit with another wave of COVID in 2021. This wave took a toll on employees, with more staffing challenges, operating stability, and overall patience being tested. However, with these challenges the team performed brilliantly, and our results were outstanding.

Jack highlighted the net membership growth rate of 4.25%. This number is twice the number of the past three years and is a good rate for a credit union of our size and scale. Jack emphasized that we also supported lending and economic activity. Our consumer banking team generated

\$88M impacting the lives of 880 individuals and households. Our business banking team originated \$49M to 662 small businesses. Our mortgage lending team originated \$176M in home loans to 926 individuals and families. Jack then announced that during 2021 we generated record net income. About 11% of this surplus came to us as an Award from the Treasury due to our work as Montana's largest Community Development Financial Institution (CDFI). We were also awarded \$17M of secondary capital investment by the Treasury under the ECIP program. This was awarded in 2021 but will be reflected in 2022 profitability.

Jack highlighted our philanthropic activity. We aim to give 5% of our net income to local nonprofit organizations annually. The year 2021 set a record for giving, reaching 151 nonprofits with \$745,000 of community giving. Jack thanked the Clearwater team for their hard work and thanked the members for their support.

Tony introduced Don Creveling, Board Treasurer, to present the Financial Report. Don invited members to view the Financial Report and the 2021 year-end financials in the Member Packet. Don reported that the Credit Union had extraordinary growth through 2021, with total assets growing by 16%. That growth attaches to members through loan and deposit growth. Don reported that asset quality is very good, with historically high credit quality, reflected in low delinquency and loss rates, and low loan loss rates at 0.02%. 2021 was also a good year for earnings because members returned to normal spending habits, and Clearwater leadership managed expenses. In 2021, our net worth grew to 9.79%. Don also touched on secondary capital and the award for CDFI participation. These awards have a direct effect on our net worth and reflect our mission.

Tony then introduced Ryan Arthun, Chair of the Supervisory Committee. Ryan thanked the other committee members Anne Lee, Geoff Badenoch, and Shirlee Walker. He then explained that the Supervisory Committee works on behalf of the membership to ensure that there is timely and accurate financial reporting, and to ensure the Credit Union's practices and procedures safeguard member assets. They are assisted by the Credit Union Internal Audit department, which conducts routine audits and reports; Clifton Larson Allen (CLA), an external auditing firm who worked with staff on internal audits; and Moss Adams LLP, an independent accounting firm that performs an annual audit of Clearwater's financial statements and controls. Based upon Moss Adams' issuance of a clear opinion, internal reviews, and NCUA examination results, it is the Supervisory Committee's opinion that the performance and condition of Clearwater is accurately reflected in the financial statements, and that adequate internal controls exist to protect member accounts. Ryan encouraged members to contact the Committee if they have unresolved issues with the Credit Union. He also reminded members that they can help prevent fraud by reviewing their account statements. He pointed members to the website and report for contact information.

Tony announced that Kelly Webster, Nominating Committee Chair, would present the Nominating Committee report. Kelly explained that the Clearwater Board of Directors is a seven-member volunteer committee with staggered three-year terms. This year, two positions reached

the end of their term and one position opened mid-term. For the position that opened mid-term, the Board appointed JJ Adams on February 22nd, 2022. One position that ended was Geoff Gilbert who expressed a desire to continue to serve. He was then nominated. For the second position, the Nominating Committee nominated Mike Kadas. The committee did not receive any additional nominations by petition. Therefore, the elections were not conducted by a vote, but declared by acclamation. Kelly thanked Martha Newell and Glenda Bradshaw, our two outgoing Board members, for their service and dedication to the membership.

Tony moved on to Old Business and New Business. As there were none, he moved the meeting to the Member Question and Answer segment. Tony explained the Q&A process on the virtual platform and opened the meeting for questions. The first question came from Michelle Mitchell who asked why we changed our name from Missoula Federal Credit Union to Clearwater Credit Union. Jack answered that we changed our name from MFCU to Clearwater in 2018. MFCU served us well from 1956; however, as we grew into new communities, we wanted them to have a sense of belonging. After research and development, they decided on Clearwater Credit Union, as it still has a local anchor to the Clearwater system in Missoula County. The word also conveys transparency, one of our core values.

Eli Bowe asked what impacts the economic market turmoil and rising interest rates are having on the credit union. Jack answered that there are two lenses to look at, the effect on the credit union's balance sheet and the effect on rate setting practices. Due to rising rates, the balance sheet faces devaluation of the assets we currently hold; however, Clearwater is in a good position. As we try to balance risk, we create a sustainable foundation whether rates go up or down. Jack then recognized the competing balance of depositors and borrowers, depositors want higher interest rates for their earnings, and borrowers want lower interest rates on their loans. Jack announced that deposit rates have gone up and our consumer lending has not had any upward rate movement. However, because mortgages operate on a secondary market, they have risen.

Carl Brien commented that he recently moved to Butte from Missoula and was happy to have a Clearwater branch. Carl then asked for a brief overview of the outreach plan for Butte, including support for local organizations and community events. Jack gave a brief history of the Butte branch starting with when we opened our doors in early 2020. There is now a team of seven people working with full transactional services along with mortgage, consumer, and business lending. We have around eight hundred members in the Butte/Silver Bow market, and the goal is to get to 1,000 by year-end. We have mobilized deposits of about \$7.5M and \$34M of lending in the community.

Jack admitted that COVID made it more difficult to get into the community; however, it is beginning to pick up. Jack highlighted the Member Appreciation Event to be held in Butte and that Clearwater would sponsor the Montana Folk Festival. Tony added that JJ is from Butte and gives Butte representation on the Board, and that the last regular Board meeting was held in Butte.

As many young families are trying to afford their first home, Shelia Hurd asked if there are any grants available for first time home buyers. Jack answered that Clearwater does not offer grants; however, there are some federal and state programs available. Jack acknowledged the complexities of mortgage lending and encouraged members to connect with Justin Sanders, the SVP of Mortgage Banking. He then provided Justin's contact information.

Rosemary Soudt asked if there were future expansion plans in east Montana. Jack gave a history of our expansion, explaining that we were mostly in Missoula, Ravalli, and Lake counties. However, in the middle of 2020, we were approved to serve twenty counties in the western part of the state. The Butte office is part of that expansion. Clearwater is also exploring the Bozeman area and potentially partnering with a community organization for facilities. We are also creating partnerships with Human Resource Development Councils (HRDCs). In Great Falls, we are looking to co-locate staff members to help with financial counseling, emergency lending, and to meet the needs of underserved families. Jack did say that, at present, our Field of Membership does not allow us to develop branches east of Cascade County. However, we have been working with a Native American start-up in Lame Deer, Montana, supporting them philanthropically and technologically. While they would not be a part of Clearwater, they would be a valuable partner.

Before adjourning the meeting, Tony thanked management, the Board, and the Supervisory Committee for their hard work during a difficult year, which produced exceptional financial results. He thanked members and encouraged them to give questions and feedback to the Board of Directors as they are representing the members. Tony then confirmed the conclusion of the business meeting and adjourned at 6:23 PM.

CEO Report

JACK LAWSON, PRESIDENT & CEO

Our mission is to be a force for good in banking, in the communities we serve, and in the lives of our members.



BUSINESS LENDING

261 LOANS

\$40 Million



CONSUMER LENDING

8,717 LOANS

\$132 Million



MORTGAGE LENDING

650 LOANS

\$114 Million



MORTGAGE SERVICING PORTFOLIO

1,469 LOANS

\$259 Million



TOTAL MEMBERS

57,106

NET NEW MEMBERS

2,478



FINANCIAL COUNSELING SESSIONS

427 Sessions

Great Falls & Missoula

PHILANTHROPY
\$496,631
5.01% OF NET INCOME



Given to 210 Local Non-Profits



FINANCIAL EMPOWERMENT

1,143 People Attended
Financial Education Classes



EMPLOYEE VOLUNTEERING

1,340 HOURS

Financial Report

DON CREVELING, BOARD TREASURER

Signs of Normalizing Growth

In 2020 and 2021, Clearwater experienced record-breaking annual asset growth of 33% and 16%, respectively. In 2022, annual asset growth returned to a more normal level of 7%, the same as Clearwater’s average asset growth from 2015-2019. Total member deposits grew by \$24 million, or 3% on the year. We continued to meet our members’ lending needs with total loan balances increasing by \$122 million, or 24%.

Asset Quality

We continue to experience high credit quality. As the loan portfolio’s size and complexity 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 from 0.31% in 2020 to 0.12% in 2021 and increased to 0.24% in 2022. 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 2022 Return on Average Assets of 1.09% is higher than the 2015-2019 average of 0.98%. Several things contributed to the profitability including an expanding Net Interest Margin and well-managed expenses.

Net Worth

In 2022, Clearwater’s Net Worth Ratio climbed significantly to nearly 12% because of a \$16.8 million secondary capital investment from the Treasury Department’s Emergency Capital Investment Program (ECIP). The ECIP is administered by the U.S. Department of Treasury to strengthen Community Development Financial Institutions and provides low-cost capital for 30 years. The ECIP investment increases Clearwater’s Net Worth Ratio to above pre-pandemic levels.

	2018	2019	2020	2021	2022
Net Charge Off + Delinquency Ratio	0.88%	0.51%	0.31%	0.12%	0.24%
Net Interest Margin	3.28%	3.46%	2.95%	2.75%	3.04%
Return on Average Assets	1.33%	1.06%	0.98%	2.05%	1.09%
Net Worth Ratio	10.63%	10.90%	9.02%	9.79%	11.97%

Balance Sheet

	2021	2022	%Change
Loans	\$507,979,168	\$628,416,386	24%
Investments	\$327,838,148	\$227,842,602	-15%
Other Assets	\$38,656,298	\$32,696,233	-15%
Total Assets	\$874,473,613	\$938,955,222	7%
Liabilities	\$13,122,156	\$66,904,825	410%
Deposits	\$776,481,149	\$800,547,892	3%
Equity	\$84,880,308	\$71,502,505	-16%
Total Liabilities, Deposits, & Equity	\$874,473,613	\$938,955,222	7%

Income Statement

	2021	2022	%Change
Loan Interest	\$19,946,700	\$23,854,149	19%
Investment Interest	\$3,718,284	\$5,429,580	46%
Interest Expense	(\$1,271,747)	(\$1,693,004)	33%
Net Interest Income	\$22,411,237	\$27,590,726	23%
Provision for Loan Loss (PLL)	(\$533,173)	(\$1,532,402)	187%
Non-Interest Income	\$12,088,323	\$12,344,818	2%
Net-Interest Expense	(\$24,010,193)	(\$25,792,134)	7%
Non-Operating Income or (Expense)	\$6,746,340	(\$2,696,075)	-140%
Net Income	\$16,702,535	\$9,914,932	-41%

Supervisory Committee Report

RYAN ARTHUN, SUPERVISORY COMMITTEE CHAIR

Supervisory Committee Members

- Ryan Arthun, Chair
- Geoff Badenoch
- Ann Lee
- Shirlee Walker

The Supervisory Committee works on behalf of members to ensure that:

1. There is timely and accurate financial reporting, and
2. Credit union practices and procedures safeguard member assets.

The Committee is assisted by Clearwater's internal (employees) and external (Clifton Larsen Allen) audit teams who conduct multiple, routine audits of credit union operations. They report results and recommend changes to the Committee throughout the year.

The Committee also retains the services of an independent accounting firm, Moss Adams LLP, to perform a comprehensive annual audit of Clearwater's financial statements and controls. Based upon Moss Adams' issuance of a "clean opinion," as well as internal and external audit results, it is the Supervisory Committee's opinion that the performance and condition of Clearwater are accurately reflected on the financial statements, and that adequate internal controls exist to protect member accounts.

We encourage credit union members to contact the Supervisory Committee regarding unresolved problems, missing statements, and accounting discrepancies. We also ask members to share the responsibility to prevent fraud and theft by carefully reviewing their account statements. Contact information is located on the credit union's website, and the Supervisory Committee's email address is supervisorycommittee@clearwatercreditunion.org.

Nominating Committee Report & Board Elections

LESLIE HALLIGAN, BOARD MEMBER

Nominating Committee Responsibilities

The Board Nominating Committee's responsibility is to nominate candidates to fill expiring board member terms and vacant positions on the credit union's Board of Directors. Board Members serve three-year terms, which are staggered so that at least one position is up for election annually.

In 2023, two positions are up for election. Tony Boote and Heather Grenier were nominated by the Nominating Committee to fill these two positions.

We notified credit union members on our website of these nominations on May 9, 2023, and in the April statement mailing. Members were invited to run, by way of petition, if interested. Since no nominations by petition were received by the June 14, 2023, deadline, the elections will not be conducted by vote, but instead will be declared by acclamation. Nominations from the floor are not accepted at the Annual Meeting.

Nominee Statements and Biographies

Tony Boote

Tony has been a member of the Board of Directors since 2013. He currently serves as Board Chair. Tony was born in the U.K., educated at Oxford University, and worked originally in the U.K. Treasury before moving to Washington, D.C., where he worked as a manager and macroeconomist at the International Monetary Fund for twenty-plus years. There he met his wife, who is a lawyer, and in 2010 moved to her hometown of Missoula with their girl/boy twins, who are seventeen. He enjoys walking in the hills above Missoula with his German Shepherd, Asha.

Heather Grenier

Heather works as the President and CEO of HRDC, a community development and social services organization serving southwest Montana and headquartered in Bozeman. Heather has been with HRDC for more than 22 years. She graduated from MSU with a Bachelor of Arts in Modern Languages and Literature. She serves on the boards of the Bozeman Chamber of Commerce, the Community First Fund of Montana, and the Montana Continuum of Care and is a member of the Montana Housing Coalition and the Montana Coalition to Solve Homelessness. Heather is a strong advocate for the thousands of Montanans struggling to afford to stay in this beautiful place they call home. Heather loves to run, camp, fish, and do anything outdoors, and her favorite place for rest and relaxation is Chico Hot Springs.