



Banking can be **this good.**



2019 Annual Report

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Members playing yard games at the 2019 Annual Member Meeting at Caras Park in Missoula, MT.



A member writes down their thoughts at the 2019 Annual Member Meeting at Caras Park in Missoula, Montana.

Letter from the CEO and Board Chair

As we write this opening statement (in April 2020), Montana is beginning to reopen an economy that has been shuttered for weeks in response to the Coronavirus Pandemic. With many of our members suffering, the days, weeks, and months ahead will be full of uncertainty and fraught with both opportunities and risks for all. Looking forward is the more urgent priority.

The stories in this year's Annual Report serve as examples of our commitment to on the principles of Values-Based Banking, in good times and bad. Those principles fall under five headings:

1. Member centered - As a member-owned cooperative, we aim to build long-term relationships with our member-owners, not just transact with them on a one-off basis. We try to understand their economic activities, problems, and opportunities. We design products and services to meet those needs.

2. Long-term resiliency - Financial stability is the foundation of our success. We are focused on long-term sustainability, not short-term gain. We cannot entirely insulate ourselves from external shocks, but we can manage risk and build protection for long-term resiliency.

3. Local economy - Our first priority is to meet the financial needs of the individuals, households, and small businesses that make up our membership. This includes a commitment to investing in the local economy.

4. Social and environmental impact - Generating a reasonable profit is essential to our long-term success. But it is not a stand-alone objective. We also want our resources and balance sheet to work toward delivering positive social and environmental impact by building inclusive economies, empowering people, and protecting the environment. Not every product or service we offer will meet these objectives, but we are committed to increasing the share of our resources and balance sheet that do.

5. Transparency - Our cooperative structure demands that we practice transparent and inclusive governance. We aim to build open, honest relationships with members, co-workers, and the communities we serve. To that end, we aim for higher levels of transparency in reporting than are required by external rules and regulations.

And finally, there is our culture. The five principles of Values-Based Banking are embedded in our organizational culture. We accept the responsibility to serve our co-workers and members at the highest ethical standards. And in doing so, we work hard to provide both with the tools to succeed, a voice in decision-making, and the power to solve problems. ●

Thank you very much for your membership and support of Clearwater.

Jack Lawson
President & CEO

Don Creveling
Board Chair



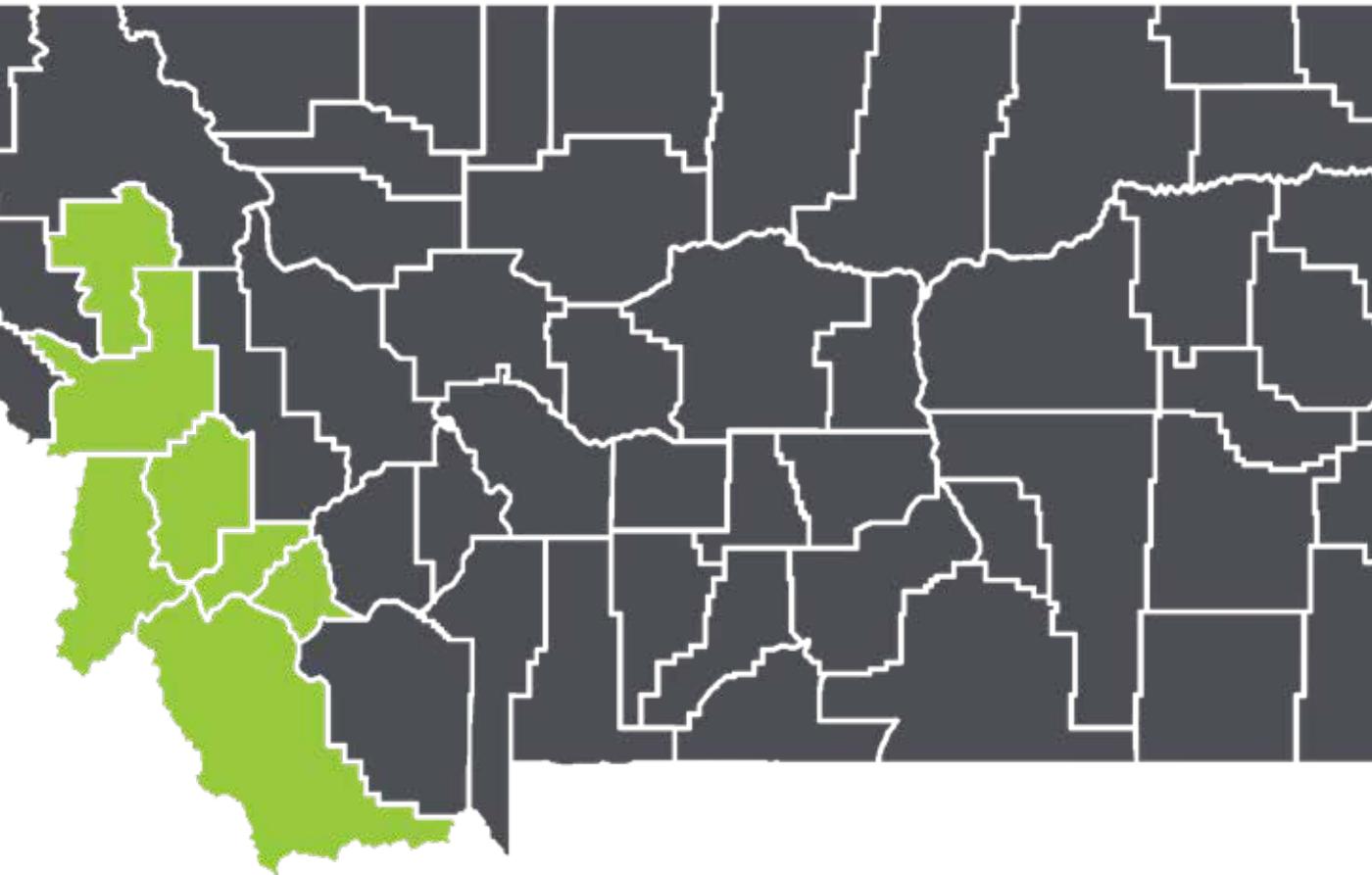
Total members

51,077



New members

4,288



Membership by location

Beaverhead:	59
Deer Lodge:	59
Granite:	125
Lake:	1,467
Missoula:	37,164
Ravalli:	5,175
Silver Bow:	135
Other Montana:	2,524
Out of State:	4,369



Clearwater co-workers at a strategy session.

Our financial performance

Signs of growth

Strong balance sheet growth continued through 2019. Total assets closed the year 7.62% greater than YE 2018. Importantly, balance sheet growth was driven by increased internal member saving, not external borrowing. Total member deposits grew by approximately \$30 million on the year. Loan balance growth was also strong, increasing by almost 20.55% in 2019.

Asset quality

Importantly, we have not sacrificed asset quality as we have grown. While the size of the total loan portfolio has grown, and while we have developed more impact loan products, we have also been careful to put 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) has declined from 1.52% in 2017, to 0.88% in 2018, to 0.52% in 2019.

Net earnings

The credit union's net earnings performance has been outstanding. Net earnings have been driven by the income side rather than by expense contraction. The relationship between operating expenses and total assets crept upward during 2019, from 3.44% to 3.81%. This increase reflected higher levels of spending associated with the upgrade of our core banking software and the credit union's name change. Meanwhile, net



Consumer banking



Consumer loans granted

\$68,504,959

7,473 loans



Mortgage banking



Mortgage loans granted

\$90,364,751

577 loans



Business banking



Business loans granted

\$23,036,055

254 loans



Mortgage servicing



Mortgage loans serviced

\$296,734,604

2,111 loans

interest margin increased from 3.28% to 3.46% on the year. And gross income to average assets increased from 5.25% to 5.31%. A growing membership and balance sheet, coupled with increasing net interest margin, overshadowed the increase in the operating expense ratio, enabling us to achieve a very strong return on assets of 1.06% in 2019.

Reserve protection

There are two forms of reserve protection to consider. The first is the credit union's allowance for loan losses. At the end of 2019, the credit union's allowance for loan losses account stood at \$4.9 million, or 1.54% of total outstanding loan balances. This is almost three times larger than

the summation of the loan loss rate and the delinquency rate described above, indicating a well-funded allowance for loan loss protection.

The second form of protection is the credit union's net worth position. The net worth to total asset ratio declined with low and negative net earnings during the financial crisis years. By December 31, 2013, it stood at 9.13%. In the years since that time, we have managed both asset and earnings growth to increase net worth slightly more rapidly than total assets. At the end of 2019, the credit union's net worth to asset ratio stood at 10.89%. ●

Balance sheet

Assets	2018	2019	% Change
Loans (Net of Allowance for Loan Losses)	260,861,864	314,688,479	21%
Cash	3,685,655	4,676,027	27%
Investments	233,030,742	214,315,454	-8%
Land & Buildings	15,953,303	17,731,937	11%
Other Fixed Assets	1,139,471	2,047,301	80%
All Other Assets	9,653,490	10,944,633	13%
<i>Total Assets</i>	<i>524,324,525</i>	<i>564,403,831</i>	<i>8%</i>

Liabilities			
Notes Payable	6,217,872	4,361,061	-30%
Dividends Payable	76,209	50,286	-34%
Other Liabilities	5,197,360	5,923,515	14%
<i>Total Liabilities</i>	<i>11,491,441</i>	<i>10,334,862</i>	<i>-10%</i>

Deposits			
Regular Savings	215,472,700	223,745,048	4%
Checking	149,854,110	166,276,332	11%
IRAs	12,975,467	13,335,207	3%
Certificates	30,847,583	37,221,642	21%
Money Market	50,280,135	49,163,074	-2%
Other Deposits	36,982	0	-100%
<i>Total Deposits</i>	<i>459,466,977</i>	<i>489,741,303</i>	<i>7%</i>

Equity			
Regular Reserves & Undivided Earnings	55,746,350	61,502,560	10%
Unrealized Gain (Loss) on Investments	(2,380,243)	2,825,106	219%
<i>Total Equity</i>	<i>53,366,107</i>	<i>64,327,666</i>	<i>21%</i>

<i>TOTAL LIABILITIES, DEPOSITS, & EQUITY</i>	<i>524,324,525</i>	<i>564,403,831</i>	<i>8%</i>
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Income statement

Interest Income	2018	2019	% Change
Interest on Loans	12,119,546	14,448,158	19%
Investment Income	5,986,553	5,900,868	-1%
<i>Total Interest Income</i>	<i>18,106,099</i>	<i>20,349,027</i>	<i>12%</i>

Interest Expense			
Dividends	1,079,654	1,285,624	19%
Interest on Borrowed Funds	262,561	234,501	-11%
<i>Total Interest Expense</i>	<i>1,342,215</i>	<i>1,520,125</i>	<i>13%</i>

Net Interest Income	16,763,885	18,828,902	12%
Provision for Loan Losses	592,443	1,600,703	170%
Net Interest Income (After Provision for Loan Losses)	16,171,442	17,228,199	7%
Other Operating Income	8,685,646	8,554,161	-2%
<i>Total Operating Income</i>	<i>24,857,088</i>	<i>25,782,360</i>	<i>4%</i>

Operating Expenses			
Compensation & Benefits	9,053,968	10,684,747	18%
Travel & Conferences	240,822	288,873	20%
Association Dues	126,501	128,168	1%
Office Occupancy	1,301,849	1,209,865	-7%
Office Operations	2,170,860	2,951,459	36%
Educational/Promotional	549,948	1,151,322	109%
Loan Servicing	523,782	679,773	30%
Professional Services	2,972,588	3,000,750	1%
NCUA Operating Fee	130,935	141,280	8%
Other Expenses	493,807	483,519	-2%
<i>Total Operating Expenses</i>	<i>17,565,060</i>	<i>20,719,756</i>	<i>18%</i>

Non-Operating Income	-532,691	693,605	230%
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NET INCOME	6,759,337	5,756,210	-15%
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Banking can be a force for good.



Since 1956, our values have defined everything we do, from how we run our business to how we serve our members. Here, at Clearwater Credit Union, we're bringing values-based banking to new horizons. While our name has changed, we still believe banking should be a force for good in the communities we serve and in the lives of our members.

Banking can be this good.

Member FDIC. Member NCUA. All loans subject to approval.

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CREDIT UNION



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Treats from a local bakery, Morning Birds Bakery, were provided to members during the opening of the new Brooks Street branch.

Clearwater co-workers assist members during the opening of the new Brooks Street branch.



Building a better member experience

With the opening of our new Brooks Street branch, Clearwater Credit Union has upended its own banking traditions.

There are (almost) no lines.

It is staffed by Universal Associates, who can do almost any banking task.

And there are plenty of comfortable places to relax with a warm or cold drink.

Brian Fitzgerald, the Branch Manager, said the concept fits in well with the credit union's commitment to being a member-centered financial institution. Before the redesign, members would have to stand in line, however long that line was, and, when they'd get to a teller, that teller

might not be able to give them the help they needed. "Now," said Fitzgerald, "our Universal Associates can help a member through almost every situation they have."

Most of the members who visit the new branch are pleasantly surprised by the changes, said Universal Associate Amy Whitney. "We all have the experience and ability to provide a wider range of service," Whitney said, explaining that everyone in the new branch is, for instance, a notary public. And, if a member does have a more complex credit need, "nine times out of ten, we can get them to a loan officer right away."

Member focus isn't the only way the new branch exhibits Clearwater's values.

The remodeled interior of the new Brooks Street branch provides an open and welcoming environment.

The building, which was once largely a storage area, was remodeled with sustainability in mind. It has earned a Leadership in Energy and Environmental Design (LEED®) Silver certification, meaning that certain standards for energy savings, water efficiency, and the reduction of CO2 emissions, among other things, have been met.

According to Paul Herendeen, Clearwater's Director of Impact Market Development, the remodel called for leaving as much of the existing building as possible. What material was removed and was reusable was given to Home ReSource for recycling. And what material was added was also largely recycled, including decorative trim from the old Missoula Mercantile building and siding from lumber salvaged from the Rice Ridge fire.





“We all have the experience and ability to provide a wider range of service.”

Amy Whitney
Universal Associate

A member holds up a custom mug created by the artists of Opportunity Resources, Inc.

Plans are in the works to make the building net-zero energy, in part by requiring less energy in the first place, Herendeen said. The lights in the interior, for example, dim when there's no movement. The branch is also generating its own energy. Herendeen said plans call for “installing about 60 kilowatts of solar over the drive-through and the covered parking.”

Inside the space, Opportunity Resources, Inc. (ORI) is among those who have benefited from Clearwater's mission. On a shelf by the coffee and other drinks are handcrafted mugs made by the people who work at the nonprofit that assists adults with disabilities. Kara Maul, an Art Assistant at ORI, said about thirty people helped make the mugs, and those people earned seventy percent of what Clearwater paid for them. The other thirty percent covered the cost of materials.

“They had a feeling of pride and accomplishment,” Maul said. ●

*Historic Uptown Butte, Montana,
future location for a new
Clearwater Credit Union branch.*





Expanding into Butte

Our membership and our geographic market are growing, and so, too, is our “bricks-and-mortar” footprint. In 2020, we will open our first branch in Butte, Montana.

For Clearwater, Butte is a great fit. Members of the community are generating a lot of positive energy as they work to improve the city, including making plans for a food co-op, bringing back a movie theater, and continuing efforts with environmental cleanup.

It’s an energy Clearwater wants to support. “Butte has an incredible history. Money

has come in. Money has gone out. We are here to mobilize local savings and reinvest it into the communities we serve,” said Paul Herendeen, Clearwater’s Director of Impact Market Development. The move ties in well with Clearwater’s values and our efforts to support the local, real economy in the places in which we work, live, and do business.

And in Butte, the opening of the new branch is equally welcome, said Joe Willauer, Executive Director of the Butte Local Development Corp. “We’ve seen so many innovations with our existing businesses and people that still definitely

Mine headframes from the Mountain
Con Mine located in Foreman's Park in
Butte, Montana.



“We’ve seen so many innovations with our existing businesses and people that still definitely want to be starting businesses, so it’s great for town and something we’re really encouraged to see.”

Joe Willauer
Executive Director
Butte Development Corp.

want to be starting businesses, so it’s great for town and something we’re really encouraged to see,” he said.

Herendeen is guiding the remodel of our new branch, which will be located in a historic, five-story, mixed-use building on East Granite Street in Uptown Butte. The branch will be on the first floor of the nineteenth-century building, where the Hennessey Market used to be. Floor-to-ceiling windows at street level open up the

space. Above, a brick façade covers four more stories where the rooms have been made into apartments.

“It’s a very cool building,” Herendeen said. We are looking to bring our model of banking to Butte, with an open branch design, Universal Associates, and a full-service lending team.



“We’re committed to Butte for the long haul. We want to come in and start building relationships. The community connection part is really key to the whole operation for us,” Herendeen said.

We anticipate we’ll be able to make a positive economic impact in Butte and Silver Bow County.

“We’ll be able to bring values-based financial services to a new community,”

Herendeen said, citing the loans, credit cards, financial counseling, and other products we offer that would be of benefit to this new market.

“What’s made us successful in Missoula is our deep commitment to our members and our community. That’s what we want in Butte, also. To be a really strong partner.” ●



Homeword works to provide affordable housing solutions for Montanans.

Clearwater helps Homeword help others

When the contract for a full city block on Cooley Street fell through, and the owner posted a “For Sale” sign on the property, Homeword jumped at the opportunity to do something to address Missoula’s affordable housing challenges. We were only too happy to support them.

Homeword, a nonprofit that both helps people build their financial chops and develops affordable housing throughout Montana, needed financing right away to acquire the property for \$1.1 million. Clearwater pitched in with a loan for \$855,000, and Homeword raised the rest.

“Time was of the essence,” said David Rook, our Senior Vice President of Business

Banking. “They did some fundraising on their end, and we bridged the gap.”

Homeword appreciated our help, said Andrea Davis, a lifelong Montanan who is the Executive Director of Homeword. “We have put together a big, visionary project, and, to make it happen, we needed a real estate loan that was at a reasonable cost.”

Homeword bought the land for what’s now known as the Trinity Affordable Housing Project in August of 2019.

When completed, the approximately \$40 million project will include 72 units on Cooley Street near the Burns St. Bistro and 130 units on about 4.5 acres near the



“It is an approach that’s meant to provide a safe, healthy home for our most difficult to house, chronically homeless neighbors.”

Andrea Davis
Homeword
Executive Director

detention center on Mullan Road donated by Missoula County. Homeword and the Missoula Housing Authority will co-own the properties.

Rook said the Homeword project fits in with our values. “Homeword does a great job providing housing for people who can’t otherwise afford it,” he said. “It’s really important to us to make that difference. If it’s financially feasible, we have a responsibility to try to make an impact.”

The Trinity Affordable Housing Project will include 30 permanent homes for people currently living on the streets who presently rely on emergency services as their safety net. At the Mullan Road site, they will not only be housed, they’ll have access to wrap around services including mental health, healthcare and other services that help them live a healthy and stable life in their apartment, Davis said.

“It is an approach that’s meant to provide a safe, healthy home for our most difficult to house, chronically homeless neighbors,” Davis said.

Homeword is hoping to start construction on the new project next spring, Davis said, adding, “The runway is a long runway.”

“I’m glad we could help them acquire the property and get the ball rolling on this project,” Rook said. ●

Participants of the Women's Leadership Initiative walking on the University of Montana campus in Missoula, Montana.



From left to right, Erika Sylvester, Nicky Phear, and Rachel Maki on the University of Montana campus in Missoula, Montana.



A women's leadership initiative

Every few weeks or so, a group of women gather for a Fireside Chat with a successful Montanan. Their goal: to learn more about what the path to leadership looks like.

They are there, in part, because of our collaboration with the University of Montana to restart the Women's Leadership Initiative.

The WLI is part of the university's—and now our—push toward gender equity. It supports the value we place on making our culture a force for good, both within the credit union and out in the community.

“WLI helped me realize I'm totally capable of taking risks,” said Kelly Webster, who was part of the first WLI cohort in 2015, and who is now chief of staff in the office of UM President Seth Bodnar, as well as a member of Clearwater's Board of Directors.

“The women in the WLI cohort will be transformed, and they'll be poised to transform their organizations,” Webster said.

According to Jack Lawson, Clearwater's President and Chief Executive Officer “Clearwater's workforce is sixty-five percent female. If we are not fully

developing the leadership potential of the women in our team, then we are not at our best. And today, we are not. While our total leadership team is over 50 percent female, if you look just at our senior management ranks, say, from the VP title and up, we are just 25 percent female. That's not good enough. We have work to do."

This year's WLI cohort is a diverse group, ten chosen from the university and two chosen from among our co-workers.

Rachel Maki, Clearwater's Community Outreach Coordinator, was initially reluctant to apply to the WLI. But she is now glad she did. "It was really powerful for me, individually," she said.

Maki, who started in member services eighteen years ago, said others have also

noticed a change in her. "I've heard a lot of feedback," she said, "that I'm more vocal in my opinions and more willing to speak up, especially on behalf of other people."

For Erika Sylvester, Manager of our University of Montana branch, her acceptance into the WLI cohort came as a bit of a surprise. "I was assuming that everyone would apply. And, in my head, there were a lot more qualified people out there."

Sylvester's biggest takeaways? "WLI has given me a lot of connections and so much confidence in the leader I am," she said.

Such change doesn't come easily, said Dr. Nicky Phear, coordinator and a co-founder of the program housed in the Maureen and Mike Mansfield Center. In



Nicky Phear discusses the goals of the Women's Leadership Initiative with Jack Lawson, President and CEO of Clearwater Credit Union.



Clearwater coworkers, Rachel Maki (left) and Erika Sylvester (right) during a WLI session at the University of Montana.

“I’m more vocal in my opinions and more willing to speak up, especially on behalf of other people.”

Rachel Maki
Clearwater Credit Union
Community Outreach
Coordinator

in addition to Fireside Chats and monthly Cohort Gatherings, the WLI requires its members to take stock of their strengths and weaknesses, both personally and professionally.

“There’s a lot of hard stuff,” said Phear, who became interested in the WLI through her work on climate change. “When we reach that point where we’re looking in and we see where we need to change, sometimes it’s easier to just turn back out.”

But the effort is worth it, Maki said. “It’s so our daughters, our nieces, our granddaughters, the women in our circle

who are coming up behind us, will have less work to do. So everyone is valued for their voice and their contribution.”

Sylvester concurred, adding, “It’s very amazing to work for an organization that values the impact of supporting an organization like the WLI.”



Clearwater co-workers volunteer to can beer for the Thirst for Home Fundraiser for the Missoula Home Coalition.



Clearwater co-workers volunteer at the University of Montana Food Pantry.



Check presentation to the Veteran's Office at the University of Montana.



Clearwater co-workers volunteering at the Missoula Food Bank.

Banking can be this good



Philanthropy



5.1% of Net Income

\$293,865

120 Organizations

\$154,869

Empowering People

\$51,183

Protecting the Planet

\$87,813

Building Inclusive Economies



Clearwater co-workers volunteering at Traveler's Rest State Park during the United Way Day of Action.



Clearwater co-workers volunteering to clean up Reserve Street.



Clearwater co-workers volunteering at Garden City Harvest.



Clearwater co-worker volunteering, purchasing presents for Mountain of Giving.

We believe banking should be a force for good in our communities and in the lives of our members.



Volunteering



2,403

Hours



Financial Counseling



518

Counseling Sessions



Clearwater co-worker assisting a member at the Downtown Branch in Missoula, Montana.

We're here to help

Whether it's your first youth account, home loan, business account, or retirement planning, we're here to help provide the products and services to meet life's many needs.

Consumer Banking

Savings accounts

- Basic savings account
- Money market account
- Certificates of deposit

Checking accounts

- Basic checking
- Premium (interest-bearing) checking
- SmartSpend checking

Retirement accounts

- Traditional and Roth IRA accounts
- IRA certificates of deposit
- AIG retirement services

Vehicle loans

- New and used auto loans and refinancing
- RV, boat, motorcycle, and snowmobile loans

Personal loans

- Unsecured and secured personal loans
- Personal line of credit
- Credit cards
- Student loans

Mortgage banking

- Mortgage loans
- Home equity loans and lines of credit
- Home refinance
- Solar and home energy loans
- Home improvement loans

Business banking

- Business savings accounts
- Business checking accounts
- Business loans
- Business line of credit



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Banking on Values**

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Financial Institutions Fostering Community Growth

All loans subject to approval. Federally insured by NCUA.