

# 2024 Annual Member Meeting

## AGENDA

Doors Open: 5:30pm | Meeting Start: 6:00pm.

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<b>Meeting Logistics Information</b>	<b>Deborah Colby</b> Chief Marketing Officer, Clearwater Credit Union
<b>Welcome and Land Acknowledgement</b> <b>Quorum Check &amp; Call to Order</b> <b>Approval of the 2023 Meeting Minutes</b>	<b>Tony Boote</b> Board Chair, Clearwater Credit Union
<b>Philanthropy Announcement</b>	<b>Tony Boote</b> Board Chair, Clearwater Credit Union
<b>Guest Speaker Remarks</b>	<b>Andrea Davis</b> Mayor, City of Missoula
<b>CEO Report</b>	<b>Jack Lawson</b> President and CEO, Clearwater Credit Union
<b>Financial Report</b>	<b>Don Creveling</b> Board Treasurer, Clearwater Credit Union
<b>Supervisory Committee Report</b>	<b>Anne Lee</b> Supervisory Committee Chair, Clearwater Credit Union
<b>Nominating Committee Report</b>	<b>Mike Kadas</b> Nominating Committee Chair, Clearwater Credit Union
<b>Old Business</b> <b>New Business</b>	<b>Tony Boote</b> Board Chair, Clearwater Credit Union
<b>Member Q &amp; A</b>	<b>Tony Boote</b> Board Chair, Clearwater Credit Union
<b>Adjourn</b>	<b>Tony Boote</b> Board Chair, Clearwater Credit Union

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# 2023 Annual Meeting Minutes

JUNE 13, 2022

Tony Boote welcomed everyone to the 2023 Annual Member Meeting. He began by recognizing that we are on the Aboriginal territories of the Nez Perce, Blackfeet, Salish, and Shoshone people and honored the path they have set for caring for our land. He asked the evening's Registrar, Kyle Rholl, Vice President of IT, to confirm a quorum. Kyle confirmed there were 24 members present in person and 21 members attending virtually. Tony then called the meeting to order at 6:00 PM.

Tony introduced Board members present as Leslie Halligan, Don Creveling, Geoff Gilbert, Kelly Webster, and JJ Adams. He noted Mike Kadas was attending virtually. Tony recognized Kelly's service on the Board of Directors and reported this was her last event as a director. He acknowledged Ryan Arthun, Supervisory Committee Chair.

Tony confirmed the 2022 Annual Member Meeting minutes were available to members in the Member Packet and requested a motion to approve the minutes. Leslie Halligan MOVED to dispense with reading the minutes and approve them as presented. Don Creveling SECONDED. Tony asked for members to submit their vote through the virtual polling feature. Once submitted, Tony confirmed a majority approval. MOTION CARRIED.

Tony introduced guest speakers Shanna Adams and Karen Byrnes. Shanna and Karen's presentation included information on a consent decree signed in 2020, which began the end of Butte's superfund, they spoke of the Silver Bow Creek Conservation area and its 120 acres of parks, trails, ponds, play areas, interpretive features; Butte infrastructure upgrades; and the Uptown Butte master plan and vision for Butte. Upon completion of their presentation, Jack thanked Shanna and Karen for all they shared.

Jack began his presentation by reiterating Tony's earlier comments about how happy we are to be in Butte and the fact that this is the first annual meeting held outside of Missoula since the credit union's inception in 1956. Jack discussed the new Butte building location, the design approach, local contractors, and the branch's future contribution to both our members and the community. In his presentation, Jack spoke first of the importance of our continued growth and how that growth affects our members and the communities we serve.

He reported on property the credit union purchased in Bozeman for a new branch and the design process that is underway; the launch of an innovative partnership with Opportunities, Inc., in Great Falls; and our work with other Montana credit unions, especially Morning Star Credit Union in Lame Deer, Montana.

Secondly, Jack spoke of membership growth, which is a key indicator of a credit union's relevance. In 2022, we recorded membership growth of 4.5%, better than industry average and better than we grew on average over the past three years.

Thirdly, Jack reported on lending activity, which is how we meet members' credit needs and return money back to the communities we serve to stimulate economic growth. In 2022 the consumer lending team reached 8,717 individuals and households with \$132M in lending; the business banking team reached 261 small businesses with \$40M of lending; and the mortgage banking team reached 650 individuals and households with \$114M of lending to strengthen or create home ownership in the markets we serve. In closing, Jack thanked our staff, the 185 incredibly talented people who believe in our mission, adhere to our values, and work tirelessly to help our members.

Don Creveling, Board Treasurer, presented the Financial Report. Don invited members to view the Financial Report and the 2022 year-end financials in the Member Packet. Don highlighted our growth in deposit balances, loan balances, and membership. He spoke about the credit union's strong asset quality. And he focused on strong net earnings. Don encouraged members to look at the balance sheet and income statement, which shows the comparisons from 2021 to 2022.

Ryan Arthun, Chair of the Supervisory Committee, introduced himself and began by thanking the other Committee members: Anne Lee, Geoff Badenoch, and Shirlee Walker. He explained that the Supervisory Committee works on behalf of the membership to ensure that there is timely and accurate financial reporting, and to ensure that credit union practices and procedures safeguard member assets. They are assisted by the Internal Audit staff, which conducts routine audits and reports, Clifton Larson Allen (CLA), an external auditing firm who work 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 audit 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 Supervisory Committee if they have unresolved issues with the credit union. He also reminded members they can help prevent fraud by reviewing their accounting statements. He pointed members to the website and report for contact information.

Leslie Halligan, Nominating Committee Chair, introduced herself and stated she would be presenting the Nominating Committee report. Leslie explained that the Clearwater Board of Directors is a seven-member volunteer committee that has staggered three-year terms. Two positions were up for reelection this year. The first position was for Tony Boote who expressed a desire to continue to serve and was then nominated. The second position had been held by Kelly Webster who was not seeking reelection. The Nominating Committee then nominated Heather

Grenier. Because the Nominating Committee did not receive any additional nominations by petition, the elections were not conducted by a vote, but declared by acclamation. Leslie thanked Kelly Webster, our outgoing Board member, for her service and dedication to the organization.

Tony stated that there was no Old Business to cover. He moved on to New Business and introduced JJ Adams to present a philanthropic donation. Last year Clearwater donated \$496,631 to 210 local nonprofits, an amount equaling 5.01% of net income. JJ announced that this year the credit union was presenting \$10,000 to Action Inc. of Butte who works with at risk individuals in a six-county area.

Tony stated the next item to cover at the meeting was the Member Question and Answer segment. Tony explained the Q&A process on the virtual platform and opened the floor for questions. Leslie Halligan asked when the new Butte building will be operational. Jack stated the goal is the third or fourth quarter of 2024.

A member asked about the Bozeman branch schedule. Jack responded that land has been acquired and the design is in process, but we are still working on some overall scope questions. Once those are decided, the project will move forward. He expected the project to be completed in mid-2025.

Carl Brein asked about the MOVEit incident and the letter he received. He asked if there are any additional steps that have been undertaken in order to better protect our information. Jack responded with an explanation of the incident for those unaware. He explained the steps Clearwater is taking to safeguard member information, including technology enhancements, offers of ID theft monitoring, and staff training.

Jerilyn O'Brien asked how many branches we have and is Clearwater Credit Union only in Montana? Jack responded by saying we currently have an HQ building, five branches in Missoula, one branch in Stevensville, one branch in Butte, a partnership office in Great Falls, and a mortgage loan office in Helena. He noted that we only have locations in Montana.

Brendan Moles inquired that if he received a letter, did that mean he had personal information stolen? How did their personal information leak if they have personally never heard of nor used MOVEit software? Jack explained that a vendor of the credit union, Alogent, used the MOVEit file sharing platform.

Before adjourning the meeting, Tony thanked management, staff, the Board, and Supervisory Committee for their hard work during a difficult year, which produced exceptional financial results. He thanked members and encouraged them to send 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 6:55 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.



# Financial Report

DON CREVELING, BOARD TREASURER

In 2023, Clearwater enjoyed continuing growth, solid asset quality, and robust earnings, leading to a very strong 12% net worth ratio. That achievement was not without challenges.

Many financial institutions across the country, including Clearwater, saw total deposits contract. As inflation increased to 40-year highs, interest rates rose, and savings rates decreased to 15-year lows, our membership used their savings to cope with inflation. Plus, as the competition for deposits increased, members had alternative investment options from which to choose. Despite those challenges, Clearwater performed well and remains financially strong, safe, and sound.

## Loan Growth and Asset Quality

Loan growth ended the year at 14.5%, with a healthy loan-to-asset ratio of 70.7%. We also continue to have very solid credit quality. As the size and complexity of our loan portfolio has grown, we have been careful to help members into loans appropriate to their circumstances. That discipline has kept the credit union’s loan loss rate (actual losses) added to its delinquency rate (loans that are paying late) at a low 0.33%. That is substantially lower than the 1.4% of total U.S. credit unions. Clearwater continues to be well-reserved for potential credit issues.

## Earnings

The credit union’s net earnings performance continues to be outstanding. Our return on average assets was 1.14%. Several things contributed to that profitability including an expanding net interest margin and well-managed expenses.

## Net Worth

Clearwater’s net worth ratio continues to be very strong at nearly 12%.

	2019	2020	2021	2022	2023
<b>Net Charge Off + Delinquency Ratio</b>	0.53%	0.33%	0.13%	0.25%	0.33%
<b>Net Interest Margin</b>	3.46%	2.95%	2.75%	3.04%	3.27%
<b>Return on Average Assets</b>	1.06%	0.98%	2.05%	1.09%	1.14%
<b>Net Worth Ratio</b>	10.89%	9.02%	9.79%	11.97%	11.98%
<b>Loan to Assets</b>	56.63%	55.91%	58.91%	67.81%	70.65%

## Balance Sheet

	2022	2023	%Change
Loans	\$628,416,386	\$719,784,578	15%
Investments	\$227,842,602	\$279,446,253	1%
Other Assets	\$32,696,233	\$32,585,437	0%
<b>Total Assets</b>	<b>\$938,955,222</b>	<b>\$1,031,816,267</b>	<b>10%</b>
Liabilities	\$66,904,825	\$154,309,926	131%
Deposits	\$800,547,892	\$789,868,202	-1%
Equity	\$71,502,505	\$87,638,140	23%
<b>Total Liabilities, Deposits, &amp; Equity</b>	<b>\$938,955,222</b>	<b>\$1,031,816,267</b>	<b>10%</b>

## Income Statement

	2022	2023	%Change
Loan Interest	\$23,854,149	\$32,483,386	36%
Investment Interest	\$5,429,580	\$8,618,579	59%
Interest Expense	(\$1,693,004)	(\$8,923,087)	427%
Net Interest Income	\$27,590,726	\$32,179,327	17%
Provision for Credit Loss	(\$1,532,402)	(\$2,845,135)	86%
Non-Interest Income	\$12,344,818	\$11,432,143	-7%
Non-Interest Expense	(\$25,792,134)	(\$29,507,150)	14%
Extraordinary Income (Expense)	(\$2,696,075)	(\$6,638)	-100%
<b>Net Income</b>	<b>\$9,914,932</b>	<b>\$11,252,546</b>	<b>13%</b>

# Supervisory Committee Report

## ANNE LEE, SUPERVISORY COMMITTEE CHAIR

### Supervisory Committee Members

- Anne Lee, Chair
- Dave Thompson
- Ryan Arthun
- 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](mailto:supervisorycommittee@clearwatercreditunion.org).

# Nominating Committee Report & Board Elections

## MIKE KADAS, NOMINATING COMMITTEE

### 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 2024, two positions are up for election. Don Creveling and Leslie Halligan were both nominated by the Nominating Committee to fill these two positions and continue their roles serving the Board of Directors.

We notified credit union members on our website of these nominations on April 4, 2024, 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 May 3, 2024, 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 Biographies

#### Don Creveling

Don Creveling has been a Clearwater Board Member for the last 23 years. He was raised in rural Montana and has enjoyed being a part of all that makes Montana a great place for families and work-life balance. He holds an MBA in HealthCare Administration and has worked in healthcare finance since 1990. His wife and family stay busy with work, travel, and all the outdoor activities Montanans enjoy. A credit union member for over 55 years, Don is most interested in the owner-member concept of credit unions, values-based banking, and considers being a voluntary board member a great opportunity.

#### Leslie Halligan

Leslie Halligan serves as a District Court Judge in Missoula and Mineral Counties. She is a third-generation Montanan, who attended the University of Montana, graduating with a BA in Political Science in 1983, and a Law Degree in 1986. She and her husband, Mike, are active in the Missoula community and have raised three sons. As a Board Member, Leslie has watched Clearwater grow from assets of \$83 million to more than \$1 billion in assets. She strives to be a strong advocate for members and employees.