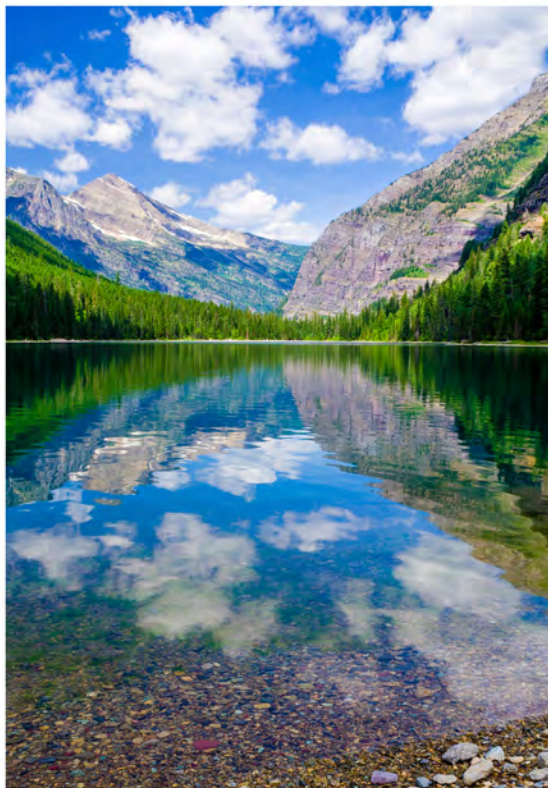


2014
ANNUAL REPORT

75 YEARS OF
TRUSTED SERVICE



MONTANA
FEDERAL CREDIT UNION



75TH
**ANNUAL MEETING
 AGENDA**

Thursday, May 21, 2015
Mansfield Convention Center
Great Falls, Montana

- I..... Call to Order
- II Establish Quorum
- III Introduction of Officials
- IV Minutes of the 74th Annual Meeting
- V Report of Chairman
- VI Report of Treasurer
- VII Report of Supervisory Committee
- VIII President's Report
- IX..... Old Business
- X..... New Business
- XI..... Election Results
- XII Adjournment

Expect the best...



AMERICA'S
 CREDIT UNIONS

Board of Directors

Chairman
 Coleen Balzarini

Vice Chairman
 Randy Boysun

Secretary
 Cheryl Patton

Treasurer
 Dale Bimler

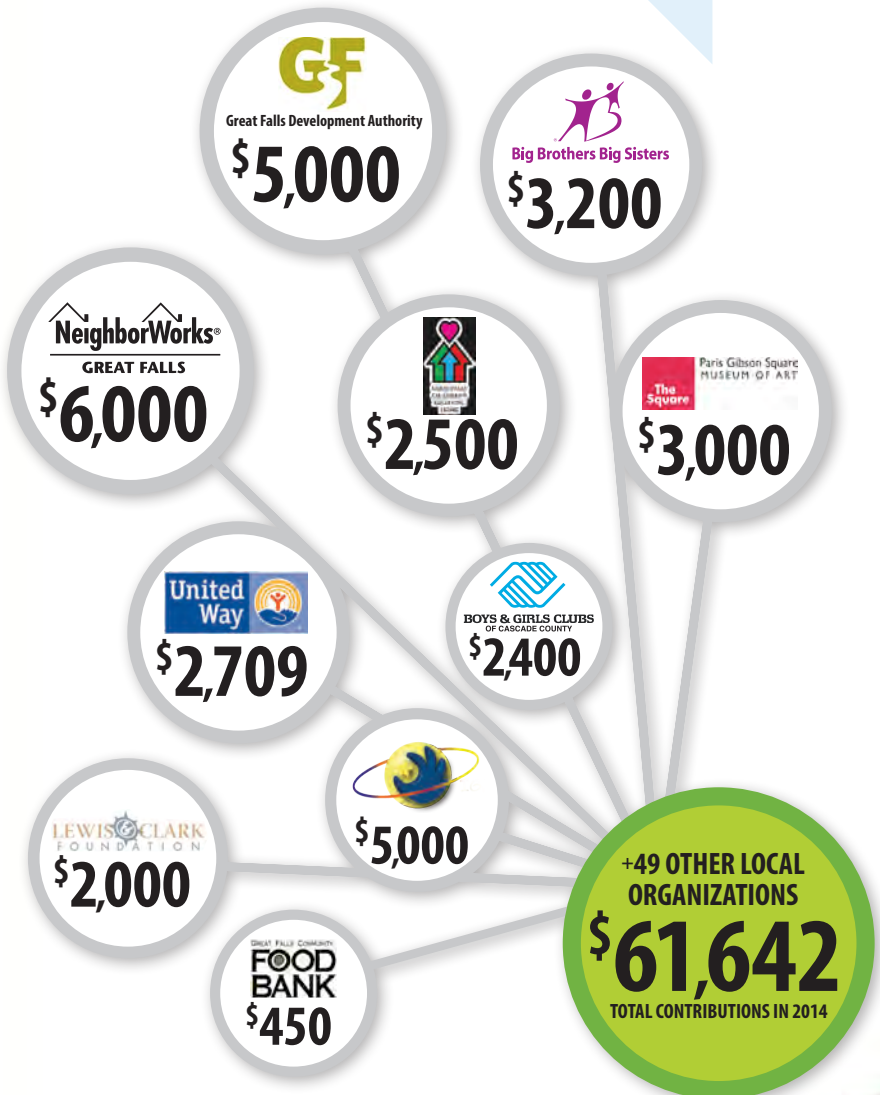
Directors
 Paul Dockter
 Mark Nash
 Colleen Holzheimer

Associate Director
 Joanie Agamenoni



MONTANA FCU COMMUNITY GIVING

Credit Unions were built on the philosophy of “People helping people,” and at Montana FCU we take that philosophy to heart. We strive to be an active community partner, contributing to a variety of worthwhile organizations in addition to supporting our employees volunteer efforts.





COLEEN BALZARINI, CHAIRMAN

CHAIRMAN'S REPORT

While it may be easy for some to think of this as just another annual meeting, I'd like to impress upon the fact that any type of business celebrating such a milestone is impressive. But for 75 years, Montana Federal Credit Union has been positively impacting not only the lives of our members, but our community overall.

This spring I had the opportunity to attend CUNA's Governmental Affairs Conference in Washington, DC. This powerful training opportunity highlighted for me the positive force behind the credit union movement, now over 100 million members strong in the United States. One hundred million members is an almost incomprehensible number, but stresses to me that nationwide, there is an undercurrent of people that want a financial institution that puts them first, and that offers choices and opportunities for their members. Montana Federal Credit Union has operated by this premise for 75 years, and we will continue to live out our mission of providing safe, convenient and reliable services for the purpose of meeting the financial needs of our members for years to come.

Operationally, our credit union remains solid and continues to thrive, with a low cost of operations and a strong bottom line. Our board of directors is actively engaged in ensuring the success of this organization. Between this talented group of volunteers and the steadfast commitment of Montana Federal's management, our chief concern is maintaining your confidence in us and your financial matters. You should not only expect the best from us, but also receive the best when it comes to stewardship of membership assets. 

Our board of directors is actively engaged in ensuring the success of this organization.

MONTANA FCU MOBILE APP

Wherever You Are - We're There.

Go mobile with our new banking app!



Account Access

Access accounts safely and securely in the app, all from your mobile device.



Transfers

Easily transfer money between your accounts, right from your mobile device.



Text Banking

Quickly check account balances or transfer funds with Text Banking.



Deposits

Deposit checks from anywhere, using your phone or tablet's camera.



Bill Pay

Make payments and set up your billers quickly and simply - all for FREE.



Locations

Find the nearest branch or ATM, right from your mobile device.



Safe & Secure

Your personal and account information is always protected, always keeping you safe and secure.




DALE BIMLER, TREASURER

TREASURER'S REPORT

As Treasurer, I am pleased to report to the membership that Montana Federal Credit Union continues to operate as a financially sound credit union. The Board of Directors and staff continually review the credit union's policies and procedures to safeguard your assets. The Board also reviews the financial status of the credit union on a monthly basis, and works closely with management to develop and approve long-range funding strategies and an annual budget. In 2014, we saw deposit growth of \$5.19 million, loan growth of \$2.53 million, and 134 new members. We know that membership in a credit union brings value to consumers, and we continue to be very pleased that more and more community members are taking advantage of the membership benefits they receive simply for being a member of Montana Federal Credit Union.

The auditing firm of Anderson ZurMuehlen & Co completed our annual audit for fiscal year end 2014 and issued an unqualified opinion affirming that the financial statements of your credit union were presented fairly in all aspects. In addition to the annual audit, the credit union conducts ongoing monthly internal audit reviews of financial statements to ensure consistency and compliance.

As a final note, I would like to thank management and staff for the accurate and timely preparation of the monthly financial statements. Their diligence and attention to detail makes the Board's oversight process run that much more smoothly. 

**In 2014, we saw
deposit growth of
\$5.19 Million, loan
growth of
\$2.53 Million, and
134 new members.**


ALWAYS COMPETITIVE VEHICLE LOAN RATES



Whether you're purchasing your first vehicle or are ready to upgrade to a newer model, Montana Federal Credit Union has the right loan for you. With competitive rates, flexible terms, and a friendly and knowledgeable loan staff, we'll make the process easy!

We'll pre-approve you to give you an extra bargaining tool. And thanks to our local decisions, you'll have the funds you need in no time. Plus, we can also save you money when you refinance your current loan from another financial institution.

Our beautiful region is full of opportunities for outdoor recreation. We put our members at the very center of the action with affordable loans for boats, ATVs, motorcycles, RVs, and much more!

We offer low interest financing with flexible terms. If you're into exploring the great outdoors, a recreational vehicle loan from MFCU is the key to your next adventure! 

2014 AT A GLANCE

2,171

**AUTO LOANS
TO MEMBERS**

2014 AT A GLANCE

479

**RV LOANS
TO MEMBERS**




RANDY BOYSUN, CHAIRMAN

SUPERVISORY REPORT

The Supervisory Committee is appointed by the Board of Directors and is charged with overseeing management's use of sound accounting and financial reporting processes in accordance with generally accepted accounting principles. The Supervisory Committee meets quarterly to review and discuss auditing and accounting matters relating to Montana Federal Credit Union. In addition to myself, the Supervisory Committee includes Judy Schroeder and John Huber.

The Supervisory Committee retained the audit services of Anderson ZurMuehlen & Co. P.C. to perform an independent audit on the 2014 financial statements. Montana Federal Credit Union received an unmodified or "clean" opinion on its 2014 financial statements. Montana Federal Credit Union has an internal auditor on staff to perform daily audit procedures and related inspections. Martha Kennedy is Montana Federal Credit Union's internal auditor. Martha provides the Supervisory Committee a monthly report that outlines her procedures and findings.

As always, the Supervisory Committee investigates member questions and inquiries not resolved to their satisfaction. Please contact any of the Supervisory Committee members if you have questions regarding your account or other matters concerning Montana Federal Credit Union.

The Supervisory Committee would like to thank management and staff for their hard work and professionalism. 

**Montana Federal
received an
unmodified or
"clean" opinion on
its 2014
financial statements**

HELPING FINANCE YOUR AMERICAN DREAM



At Montana Federal Credit Union, we take great pride in helping our members buy and keep their homes. We know that purchasing a home is one of the biggest financial decisions people make, and that's why we offer a comprehensive real estate loan program to serve our members' needs.

Backed by experience you can trust and service you can count on, our loan professionals will make the process of buying your home a pleasant one. We are pleased to offer the following:

- Competitive rates
- Purchases and Refinances
- Conventional and Jumbo Loans
- FHA, VA, and Rural Development Loans
- Primary residences, second homes and vacation homes

Already have a home, but looking to make some improvements? A home equity loan or line of credit may be a great option for you! Use the equity in your home to tackle home repairs and upgrades. With competitive fixed and variable rates, flexible terms and payment options, our expert lending staff can help you decide which is the best option for you. Give us a call or stop by to speak with one of our knowledgeable real estate loan officers to learn more!




2014 AT A GLANCE

\$5.8M

FOR HOME MORTGAGES

STEVE KING, PRESIDENT

PRESIDENT'S REPORT



Let's stop for a minute to think back to 1940. At the brink of tumultuous worldwide changes, little Great Falls, Montana was a thriving industrial city, on its way to becoming the largest city in Montana. Malmstrom Air Force Base had yet to make its mark in the community. The "World's Tallest Smokestack" reigned over the city, a landmark of the Anaconda Copper Mining Company. And in the midst of the boom of prosperity, 20 local men and women, intent on creating economic opportunities for their friends and neighbors, met to form what was then called Great Falls Cooperators Credit Union.

75 years later and here we are, still with that same intention of creating economic opportunities so that families can enjoy the benefits of home ownership, reliable transportation, vacations and more.

Our society looks a lot different now, but we are still in the midst of constant change. These days, technology changes faster than we can keep up, and every day we are reminded that things just aren't what they used to be.

However, at today's Montana Federal Credit Union, you know that you can always expect the best, and we've been working diligently to bring value to your membership. Whether through our new mobile app that lets you do your banking through your smart phone, or by offering innovative training programs for our staff such as the Creating Member Loyalty program implemented in 2014, we continually strive to exceed your expectations at every touch point.



You can always expect the best, and we've been working diligently to bring value to your membership.



2015 and 2016 will bring many changes as our staff works to improve efficiencies and bring new products and services to the membership. In October 2015, we will be transitioning to a new debit and credit card provider. This conversion will not only bring tremendous cost savings to our credit union, but also allow us to better serve your needs. In March of 2016, we will be upgrading to a completely new computer platform that will surpass our current capabilities and functionality. These transitions will require a tremendous amount of effort from our staff, but we are confident that with the great people we have here at Montana Federal, along with a bit of patience from our members along the way, these changes and the future value that will be gained for our members for years to come will be effort well spent.

We appreciate the trust you have placed in us for the last 75 years, and thank you for your membership. 🏠

- 1940** On November 18, Great Falls Cooperators Credit Union was founded
- 1945** The credit union grows to \$8,248.22 in assets, and 199 members
- 1949** First office space leased at 13½ 4th St S
- 1959** \$160,434 in assets, and 534 members
- 1969** \$810,000 in assets, and 1,075 members
- 1971** Credit union reaches \$1 million in assets
- 1973** Moved into new facility located at 901 8th Ave S
- 1983** Great Falls Cooperators merged with Montana Federal Credit Union
- 1989** President/CEO Bud Adkins retired and Wally Berry assumed the President/CEO position
- 1993** Assets reach \$30,783,615; 9th street office expansion
- 2002** Merger with CICOSTA Federal Credit Union; membership increases to 11,000, assets hit \$55 million, and the North office opens
- 2008** Merger with Community Federal Credit Union; membership increases to 20,322, assets total \$117,258,440
- 2012** Assets hit \$190 million, and membership reaches 21,500
- 2013** President/CEO Wally Berry retired and Steve King assumed the President/CEO position
- 2014** Membership reaches 22,198, assets reach \$203 million
- 2015** Celebrating the credit union's 75th year

MONTANA FCU FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF CONDITION

| As of | 12/31/14 | 12/31/13 |
|---------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Cash on hand..... | \$ 2,377,556 | \$ 2,358,260 |
| Cash deposits..... | \$ 22,132,672 | \$ 18,945,157 |
| Investments..... | \$ 67,818,409 | \$ 65,914,978 |
| Loans to members (net)..... | \$ 100,991,800 | \$ 98,544,697 |
| Land & building..... | \$ 3,086,111 | \$ 3,158,984 |
| Furniture, fixtures, & equipment..... | \$ 297,480 | \$ 317,551 |
| Accrued Income..... | \$ 322,267 | \$ 319,247 |
| Prepaid expenses..... | \$ 332,914 | \$ 321,214 |
| Share Insurance reserve..... | \$ 1,774,236 | \$ 1,738,258 |
| Other Assets..... | \$ 4,664,200 | \$ 4,441,919 |
| Total assets..... | \$ 203,797,645 | \$ 196,060,265 |

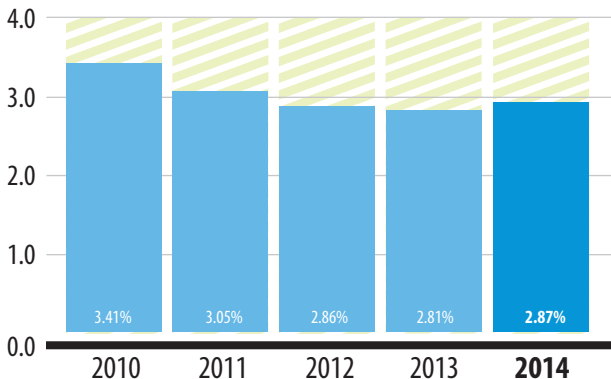
Liabilities

| | | |
|-------------------------------|-------------------|-------------------|
| Accounts payable..... | \$ 103,606 | \$ 147,452 |
| Other liabilities..... | \$ 428,266 | \$ 295,374 |
| Total liabilities..... | \$ 531,873 | \$ 442,826 |

Equity

| | | |
|--------------------------------------|-----------------------|-----------------------|
| Regular shares..... | \$ 71,602,639 | \$ 63,965,578 |
| Money market accounts..... | \$ 50,874,427 | \$ 54,485,589 |
| Share drafts..... | \$ 29,593,830 | \$ 25,668,686 |
| Certificates..... | \$ 21,397,149 | \$ 23,013,297 |
| IRAs..... | \$ 9,403,595 | \$ 9,388,389 |
| Reserves..... | \$ 2,132,669 | \$ 2,242,968 |
| Undivided earnings..... | \$ 18,261,463 | \$ 16,852,931 |
| Total liabilities/equity..... | \$ 203,797,645 | \$ 196,060,265 |

OPERATING EXPENSE/ASSETS RATIO



MONTANA FCU FINANCIAL STATEMENTS

COMPARATIVE INCOME AND EXPENSES

| As of | 12/31/14 | 12/31/13 |
|-------------------------|--------------|--------------|
| Income | | |
| Interest on loans | \$ 4,443,930 | \$ 4,355,996 |
| Investment income..... | \$ 922,171 | \$ 946,076 |
| Other income..... | \$ 2,702,196 | \$ 2,525,160 |
| Gross Income | \$ 8,068,297 | \$ 7,827,232 |

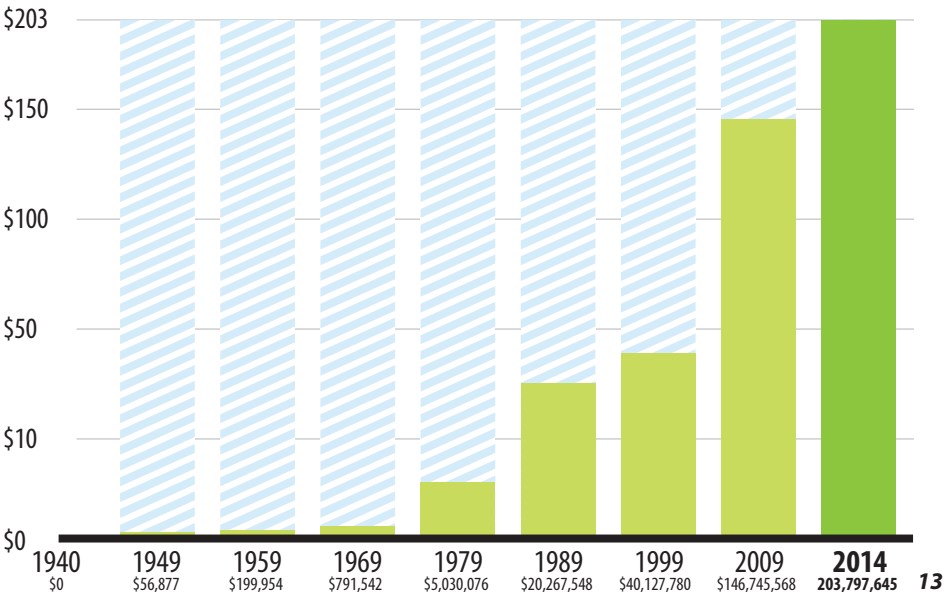
Expenses

| | | |
|--------------------------------|--------------|--------------|
| Salaries & benefits | \$ 2,912,588 | \$ 2,685,586 |
| Association dues..... | \$ 46,072 | \$ 43,432 |
| Office operations..... | \$ 907,690 | \$ 787,191 |
| Advertising & promotion..... | \$ 247,545 | \$ 229,299 |
| Outside services..... | \$ 915,583 | \$ 783,530 |
| Allowance for loan loss..... | \$ 300,000 | \$ 277,642 |
| Other operating expenses | \$ 683,285 | \$ 867,092 |
| Total expenses | \$ 6,012,763 | \$ 5,673,772 |
| Gain from operations..... | \$ 2,055,534 | \$ 2,153,460 |

Earnings Distribution

| | | |
|----------------------|--------------|--------------|
| Dividends | \$ 647,002 | \$ 730,868 |
| Net income | \$ 1,408,532 | \$ 1,422,592 |
| Total earnings | \$ 2,055,534 | \$ 2,153,460 |

ASSETS (in Millions)





MEMBER CHOICE EXTRAS

- Online Banking at montanafcu.com
- Online Bill Pay at montanafcu.com
- 24/7 Voice Response 761-7794 or 1-800-380-MFCU
- Full Service Checking
- Money Market Account
- Pee Wee Penguin Savings for Youth
- FYI Youth Accounts
- Wire Transfers
- Free Notary Service
- Savings Insured to \$250,000 by NCUA
- Traditional IRAs & Roth IRAs
- Direct Mail Deposit
- Real Estate, Personal and Installment Loans
- ATM/Debit Card
- VISA Credit Card
- Christmas Club Accounts
- VISA Gift Cards
- Debt Protection
- Bronze Cache Account (Free Checking)
- Silver Cache Account (Interest Bearing)
- Golden Cache Account (55 and Over)
- Kasasa Checking
- Online Services:
 - eStatements
 - eLetters
 - eAlerts

KASASA CHECKING ACCOUNTS WITH BIG REWARDS

What's Kasasa[®]?

It's free
checking that
**REWARDS YOU
IN CASH.**

Yes, we'll literally pay you to bank here when you Kasasa at Montana Federal Credit Union. Just do banking basics you'd do anyway, then we'll thank you in cash each month.*



Ask for **free Kasasa[®] checking**

*Qualifications vary by account. Account transactions and activities may take one or more days to post and settle to the account and all must do so during the Monthly Qualification Cycle in order to qualify for the account's rewards. The following activities do not count toward earning account rewards: ATM-processed transactions, transfers between accounts, and purchases made with non Montana Federal Credit Union issued debit cards. "Monthly Qualification Cycle" means a period beginning one (1) day prior to the first day of the current statement cycle through one (1) day prior to the close of the current statement cycle. Rewards vary by account. Depending on what Kasasa account you open, you will receive the following rewards when you meet your account's qualifications during a Monthly Qualification Cycle: Interest on your checking balances (Kasasa Cash), or cash back on debit card purchases (Kasasa Cash Back). When your Kasasa account qualifications are not met, reward distributions are not made. Rewards will be credited to your Kasasa account on the last day of Statement Cycle. Rates and rewards are variable and may change after account is opened. Fees may reduce earnings. Account approval, conditions, qualifications, and other requirements apply. No minimum deposit is required to open the account. Monthly ACH credit and receipt of electronic statements are conditions of these accounts. Enrollment in electronic services (e.g. electronic statements) is required to meet account qualifications. There are no recurring monthly service charges or fees to open or close this account. Contact a Montana Federal Credit Union member service representative for additional information, details, restrictions, processing limitations and enrollment instructions. Federally insured by NCUA.



MONTANA

FEDERAL CREDIT UNION

www.montanafcu.com

3 convenient locations to serve our members

901 8th Avenue South
Great Falls, MT 59405

540 Smelter Avenue NE
Great Falls, MT 59404

#15 14th Street South
Great Falls, MT 59401

406-727-2210

1-800-721-2242 • Fax: 406-727-8655