

## 2017 Annual Report Board Chair Message

The pace at which things grow, change and evolve at our financial institution continues to amaze me! Our product and service offerings continue to put Montana Federal Credit Union at the top amongst our local competitors. The monthly rewards that we are able to offer our members through the Kasasa checking accounts, coupled with the competitive rates and generous terms on our loans, speak volumes as to the value our financial cooperative brings to our member-owners.

Our board of directors represents a diverse population of our membership, dedicated to steering the ship towards progress and growth. These board members are dedicated individuals, invested in the success of our cooperative movement, and work diligently to maintain strength of the organization overall.

One of the founding tenets of cooperative financial institutions like ours is the premise of "people helping people." I am so proud to volunteer on behalf of an organization that puts the needs of its members first, and focuses on creating opportunities for those members to enjoy life to their potential. The key to Montana Federal Credit Union's success has been, and will continue to be, the dedication of our volunteers and staff to making our credit union a strong and thriving local cooperative, committed to giving back to its members.

- Randy Boysun, Chairman of the Board

## 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. In addition, 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, an annual budget and overall growth strategy. In 2017, we saw deposit growth of \$4 million and loan growth of \$17 million. This growth pattern is representative of the credit union's current strategic initiatives.

The auditing firm of Anderson ZurMuehlen & Co completed our annual audit for fiscal year end 2017 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 independent audit, the credit union conducts ongoing monthly internal reviews of financial statements to ensure consistency and compliance with credit union policies and procedures. I would like to thank management and staff for their accurate and thorough preparation of the monthly financial statements. Their diligence and attention to detail helps the Board's oversight process immensely.

- Mark Nash, Treasurer

## Supervisory Committee Report

The Supervisory Committee is appointed by the Board of Directors and is responsible for the oversight of 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 Credit Union's 2017 financial statements. Montana Fed again received an unmodified, or "clean" opinion, on its' 2017 financial statements. Martha Kennedy has served as Montana Fed's internal auditor for the past

few years and recently retired the end of March. Karen Richey, a longtime credit union employee, has since assumed the position of internal auditor, and performs daily audit procedures and related inspections. Karen provides the Supervisory Committee a monthly report that outlines her procedures and findings.

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

- Paul Dockter, Committee Chair



**MONTANA**  
FEDERAL CREDIT UNION

**YOUR MORE CREDIT UNION**

3 Convenient Locations  
to Serve You

901 8th Avenue South  
Great Falls, MT 59402

540 Smelter Ave NE  
Great Falls, MT 59404

#15 14th Street South  
Great Falls, MT 59401

**2017 Annual Report President's Report**

It seems like 2017 went by in the blink of an eye! Last year I updated you on some behind the scenes work we have been doing to strengthen our internal infrastructure and position your credit union for sustainable, long-term growth. We saw the return on much of this effort in the positive results we saw this past year.

2017 saw unprecedented loan growth for Montana Federal Credit Union. As we see shifts in our local economy, we have done our best to position ourselves as the most member-friendly financial resource for you. It is easier than ever to obtain a loan at your credit union, due to our online loan application process, our relationship with our local network of trusted and reliable auto dealers, and the availability of our staff to assist through your loan process. Strong and steady loan growth makes for a financially sound and solid credit union.

Our mobile and online services continue grow and we are pleased to be able to continue expanding on these member service options. One of the most important features we launched this year was the ability to enable card controls within our mobile app. Unfortunate instances like the loss of a credit or debit card, or theft of a wallet, don't always happen during our typical 8-5 business day. With card controls, you can turn off your credit, debit or ATM card if you suspect your card has been lost or stolen, request a replacement card, and even schedule your own travel plans so that we know not to block any transactions that seem out of your normal spending habits while you're on the road - all from the convenience of your mobile device. We've also optimized your eStatements within the app so that you can view them from wherever you are.

We also continue to make progress towards our upcoming building expansion and remodel at the 14th Street location. Currently, we have maxed out all available office space at all three of our locations. Adding to and remodeling the current space will allow for greater technological enhancements for our members' overall branch experience, as well as consolidate some of our departments that are currently spread out across multiple offices, making us more efficient. One key factor in our decision making regarding the addition and remodel has been member experience. Our goal is to create a streamlined approach to helping members that creates a "WOW" impact. Defining what that "WOW" impact is has ignited lots of discussion amongst our board and senior management team!



**Comparative Statement of Condition**

For the Year Ended Dec. 31	2017	2016
<b>Assets</b>		
Loans to Members (Net).....	\$ 127,844,159	\$ 110,843,531
Cash on Hand .....	\$ 2,001,295	\$ 2,180,093
Cash Deposits .....	\$ 14,799,317	\$ 26,672,174
Investments .....	\$ 78,492,297	\$ 78,941,838
Land & Building .....	\$ 3,724,246	\$ 3,026,346
Furniture, Fixtures, Equipment .....	\$ 115,394	\$ 240,407
Accrued Income .....	\$ 473,121	\$ 430,615
Share Insurance Reserve.....	\$ 2,083,595	\$ 2,000,159
Other Assets.....	\$ 7,846,737	\$ 6,909,113
<b>Total Assets.....</b>	<b>\$ 237,380,160</b>	<b>\$ 231,244,277</b>
<b>Liabilities</b>		
Borrowings .....	\$ 0	\$ 0
Other Liabilities .....	\$ 2,305,807	\$ 1,524,308
<b>Total Liabilities .....</b>	<b>\$ 2,305,807</b>	<b>\$ 1,524,308</b>
<b>Equity</b>		
Share Drafts.....	\$ 37,341,474	\$ 37,377,964
Regular Shares.....	\$ 91,505,809	\$ 84,884,626
Money Market Shares.....	\$ 53,571,776	\$ 56,223,713
Certificates .....	\$ 16,489,553	\$ 18,950,985
IRA's .....	\$ 12,546,252	\$ 9,658,224
All Other Shares .....	\$ 324,035	\$ 250,915
Reserves .....	\$ 2,450,338	\$ 2,450,338
Undivided Earnings.....	\$ 20,845,116	\$ 19,923,204
<b>Total Liabilities/Equity.....</b>	<b>\$ 237,380,160</b>	<b>\$ 231,244,277</b>

We have also been utilizing more methods of communication with our members, such as the recent market research survey and our ongoing branch transaction surveys, to measure our member satisfaction and perception. Your input has been extremely valuable to us as part of this discovery process. We anticipate breaking ground on this project in early fall of 2018. Internally, we have continued to strengthen our employees and our daily practices to be mindful of continually evolving regulatory and compliance requirements. We pride ourselves on the people we hire, and they continue to diligently work to safeguard our members' assets.

2018 continues to be a year of change and growth, and we look positively to the future to see continued success for your Montana Federal Credit Union.

Respectfully,

*Steven E. King*

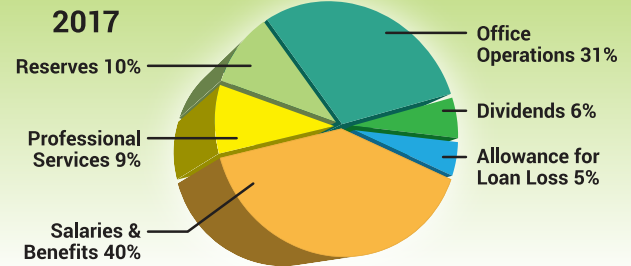
Steven E. King  
President/CEO



**Comparative Income and Expenses**

For the Year Ended Dec. 31	2017	2016
<b>Income</b>		
Interest on Loans .....	\$ 4,817,101	\$ 4,462,502
Investment Income .....	\$ 1,222,406	\$ 1,004,565
Other Income.....	\$ 3,546,792	\$ 3,214,418
<b>Gross Income .....</b>	<b>\$ 9,586,299</b>	<b>\$ 8,681,485</b>
<b>Expenses</b>		
Compensation and Benefits.....	\$ 3,800,035	\$ 3,548,148
Travel and Conference.....	\$ 134,091	\$ 153,993
Office Occupancy.....	\$ 316,428	\$ 311,991
Office Operations .....	\$ 1,389,893	\$ 1,027,746
Education and Promotion.....	\$ 265,703	\$ 265,668
Loan Servicing Expenses.....	\$ 654,148	\$ 569,075
Professional and Outside Services.....	\$ 847,830	\$ 1,135,414
Member Insurance.....	\$ 0	\$ 0
Examination/Supervisory Fees .....	\$ 52,816	\$ 39,153
Misc. Operating Expenses.....	\$ 153,664	\$ 132,702
<b>Total Expenses .....</b>	<b>\$ 7,614,608</b>	<b>\$ 7,183,890</b>
Allowance for Loan Loss .....	\$ 455,000	\$ 470,000
<b>Gain from Operations .....</b>	<b>\$ 1,516,691</b>	<b>\$ 1,027,595</b>
<b>Earnings Distribution</b>		
Dividends .....	\$ 594,779	\$ 608,259
Net Income .....	\$ 921,912	\$ 419,336
<b>Total Earnings.....</b>	<b>\$ 1,516,691</b>	<b>\$ 1,027,595</b>

**Distribution of Gross Earnings**



**Distribution of Gross Earnings**

