

We are

MEMBERS



2012

ANNUAL REPORT



MONTANA
FEDERAL CREDIT UNION

73RD Annual Meeting

Agenda

Thursday, May 16, 2013
Mansfield Convention Center
Great Falls, Montana

- I Call to Order
- II Establish Quorum
- III Introduction of Officials
- IV Minutes of the 72nd Annual Report
- 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



Board of Directors

Chairman
Coleen Balzarini

Vice Chairman
Randy Boysun

Secretary
Cheryl Patton

Treasurer
Dale Bimler

Directors
Paul Dockter
Mark Nash
Ed Naughten

Associate Director
Colleen Holzheimer

Expect the best...



AMERICA'S
CREDIT UNIONS



COLEEN
Balzarini

Chairman's Report

Your Board of Directors had a very unique year in 2012! Annually, the Directors are responsible for insuring that proper policies and controls are in place to guide Montana Federal Credit Union staff in caring for member assets entrusted to the credit union. The strong financial condition of the credit union speaks to the success of the joint efforts of directors and staff in this regard during 2012.

Another important responsibility of the Board of Directors is the selection of a President to lead staff in the operations of the credit union. In December, long-time President Wally Berry retired after twenty three years of devoted service. One of his ongoing, as well as final, acts of service was to educate, train, and prepare the remaining staff for his eventual departure.

Using the criteria outlined within MFCU's Succession Policy, the Directors began the quest to identify the best qualified candidate to become Mr. Berry's successor. And, due in part to the strategic merger that took place five years ago, and in part to Mr. Berry's mentoring of staff, the best qualified candidate was already in place at MFCU. The Directors are confident that former Executive Vice President Steve King will carry on the traditions of MFCU while bringing his own special touches to the position of President for many years to come!

COLEEN BALZARINI
Chairman

DALE

Bimler

Treasurer's Report



It is my pleasure as Treasurer to report to the membership that Montana FCU continues to be a financially sound credit union. The Board of Directors and staff continually review the credit union's policies and procedures to protect 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 2012, we saw deposit growth of \$12.5 million, and loan growth of \$6.7 million. As impressive as that may be, we saw membership growth of over 700 members, which is exceptionally strong. We are very pleased that more consumers are taking advantage of the membership benefits that they receive by being a member of Montana Federal Credit Union.

The auditing firm of Anderson ZurMuehlen & Co. P.C. completed the annual audit for fiscal year end 2012 and issued an opinion affirming the financial statements and condition of your credit union. In addition to the audit, the credit union conducts monthly internal audit reviews of the financial statements.

As a final note, I would like to thank management and the staff for the accurate and timely preparation of the monthly financial statements.

Sincerely,

DALE BIMLER

Treasurer



RANDY
Boysun

Supervisory Committee Report

The Supervisory Committee is responsible for monitoring the Credit Union's compliance with its governing laws and regulations, as well as with the policies and procedures established by the Board of Directors. The Supervisory Committee accomplishes these tasks through its annual independent audit. In addition, in December 2012, an internal audit position was created at Montana Federal Credit Union. Patti Vas-

key is our new internal auditor, and going forward Patti will perform audit procedures on a continuing basis, periodically reporting to the Supervisory Committee.

The recently completed financial statement audit was performed by Anderson ZurMuehlen & Co. P.C. The results disclosed no internal control deficiencies and a very strong financial position. In addition, the NCUA conducted an annual examination and found the credit union to be operating in accordance with laws and regulations and to be financially sound. Both the independent audit and the NCUA examination provide the Supervisory Committee the assurance that the credit union continues to have a strong system of internal control and that it is in compliance with applicable laws and regulations.

Based on the results of the 2012 audit performed by Anderson ZurMuehlen & Co. P.C., as well as the NCUA examination, your Supervisory Committee concludes that Montana Federal Credit Union has adequate financial controls in place and is financially sound. As always, the committee is available to address any member inquiries. In addition to myself, the other members of this committee are Joe Tropila and Judy Schroeder.

Sincerely

RANDY BOYSUN

STEVEN
King

President's Report



When I sat down to make notes about what I wanted to say in this year's annual report, there were some consistent items that kept making the list; our prior President/CEO Wally Berry, a very dedicated and supportive Board of Directors, a great staff that I am proud to say are a great group of people, and the exciting future we have in front of us serving the members of Montana Federal Credit Union. With that being said, I am restating in the following paragraphs what I said in our January newsletter because that really tells the story of my appreciation for everyone I just mentioned.

First of all, I want to congratulate Wally on his retirement. There is no one more deserving of enjoying retirement. After 40 plus years serving credit union members, he can now enjoy his time golfing, watching baseball, traveling and, most importantly, spending time with his family. On behalf of the entire staff and Board, "THANK YOU" for your leadership these past 23 years at Montana FCU.

Secondly, I want to say how proud and honored I am to become the next President/CEO of Montana Federal Credit Union. I want to thank the Board for giving me this opportunity to carry on the great tradition of serving the nearly 22,000 members of Montana FCU. I am so fortunate to have such a wonderful and dedicated staff that I

*You are part of a
73 year old credit union,
with the strength of \$190
million in assets,
22,000 members and
growing...*

get to work with every day. As they say, if you love what you do, it doesn't feel like work. That is exactly where I am in my life and career. I have personally been serving credit union members for nearly 35 years and am pleased to be able to continue to serve the members of Montana FCU.

My commitment to our members is that we continue to provide you with the exceptional products and services you have come to expect from Montana FCU. Our staff will continue to work hard to give you the best experience we can whether it is face to face, over the phone or online. All three aspects are a very important part of today's world and we will strive to meet or exceed your expectations in all three areas.

My goal, along with the Board and Staff, is that you can continue to "Expect the Best" from Montana Federal Credit Union.

I also want to add that I hope you are as proud as I am to say that, as a member of Montana Federal Credit Union, you are part of a 73 year old Credit Union, with the strength of \$190 million in assets, 22,000 members and growing, and highly respected in our community.

Looking forward to an exciting 2013!

Respectfully,

STEVEN E. KING

President/CEO

Financial Statements

Comparative Statement of Condition

For the year ended December 31	2012	2011
Assets		
Cash on hand	\$ 2,340,059	\$ 1,857,333
Cash deposits	\$ 15,625,386	\$ 13,881,523
Investments	\$ 69,698,539	\$ 64,717,177
Loans to members (net)	\$ 94,435,410	\$ 87,654,922
Land & building	\$ 3,241,310	\$ 3,324,748
Furniture, fixtures, & equipment	\$ 278,028	\$ 248,916
Accrued Income	\$ 324,475	\$ 332,119
Prepaid expenses	\$ 297,069	\$ 387,556
Share Insurance reserve	\$ 1,628,698	\$ 1,539,636
Other Assets	\$ 431,799	\$ 225,916
Total assets	\$ 188,300,773	\$ 174,169,846
Liabilities		
Accounts payable	\$ 307,229	\$ 75,779
Other liabilities	\$ 132,434	\$ 148,683
Total liabilities	\$ 439,663	\$ 224,462
Equity		
Regular shares	\$ 59,523,961	\$ 53,516,366
Money market accounts	\$ 52,277,616	\$ 46,935,934
Share drafts	\$ 23,800,065	\$ 22,186,914
Certificates	\$ 24,952,871	\$ 26,634,675
IRAs	\$ 9,053,682	\$ 7,814,612
Reserves	\$ 2,822,575	\$ 2,660,542
Undivided earnings	\$ 15,430,340	\$ 14,196,341
Total liabilities/equity	\$ 188,300,773	\$ 174,169,846

In 2012, we saw a deposit growth of \$12.5 million, a loan growth of \$6.7 million and membership growth of 700 members.

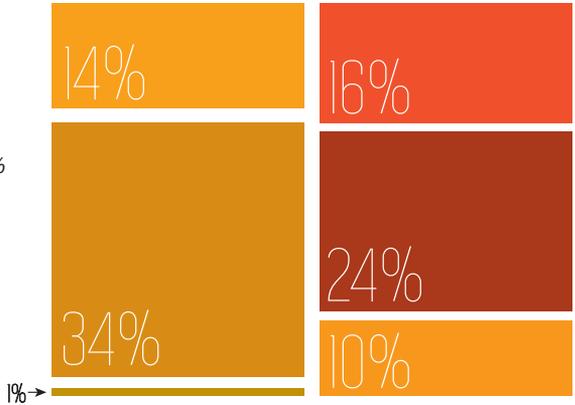
Comparative Income and Expenses

For the year ended December 31	2012	2011
Income		
Interest on loans	\$ 4,530,031	\$ 4,582,958
Investment income.....	\$ 894,117	\$ 1,094,394
Other income.....	\$ 2,132,670	\$ 2,002,315
Gross Income	\$ 7,556,818	\$ 7,679,667
Expenses		
Salaries & benefits	\$ 2,554,780	\$ 2,485,835
Association dues.....	\$ 37,273	\$ 34,650
Office operations.....	\$ 771,062	\$ 790,064
Advertising & promotion.....	\$ 213,387	\$ 170,358
Outside services.....	\$ 787,501	\$ 676,715
Allowance for loan loss.....	\$ 110,431	\$ 136,282
Member insurance.....	\$ 0	\$ 0
Other operating expenses	\$ 813,531	\$ 977,987
Total expenses	\$ 5,287,964	\$ 5,271,891
Gain from operations.....	\$ 2,268,854	\$ 2,407,776
Earnings Distribution		
Dividends	\$ 1,034,855	\$ 1,180,096
Net income	\$ 1,233,999	\$ 1,227,680
Total earnings	\$ 2,268,854	\$ 2,407,776

Distribution of Gross Earnings

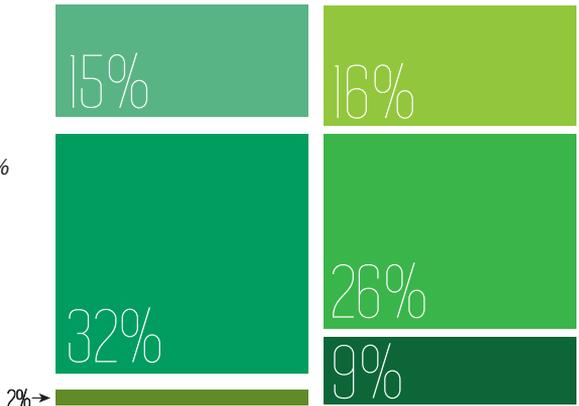
2012

- Dividends 14%
- Salaries and Benefits 34%
- Allowance for loan losses 1%
- Reserves 16%
- Office Operations 24%
- Professional Services 10%



2011

- Dividends 15%
- Salaries and Benefits 32%
- Allowance for loan losses 2%
- Reserves 16%
- Office Operations 26%
- Professional Services 9%



We are MEMBERS



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*
- *Money Orders*
- *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*
- *CUMoney VisaTravel Card*
- *Debt Protection*
- *Bronze Cache Account
(Free Checking)*
- *Silver Cache Account
(Interest Bearing)*
- *Golden Cache Account
(55 and Over)*
- *MyRewards Checking*
- *MyOnline Services:
eStatements
eLetters
eAlerts*



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