

2010 ANNUAL REPORT



I am ...

PRECISE
CAREFUL
HELPFUL
IMPORTANT
QUALIFIED
REMARKABLE
SMART
SPECTACULAR
SPLENDID
SUPER
ULTIMATE
UNBELIEVABLE
WONDROUS
HAPPY
READY
EXCITED
SAFE
WISE
VALUED
STUPENDOUS
APPRECIATED
POSITIVE
INSPIRING
ABSOLUTE
GREAT
PERFECT



MONTANA
FEDERAL CREDIT UNION

Annual Meeting

71st Annual Meeting Agenda

Thursday, May 19, 2011
Mansfield Convention Center
Great Falls, Montana

- ICall to Order
 Presentation of Colors
 Great Falls Marine Corps
 League Detachment #688
- IIEstablish Quorum
- IIIIntroduction of Officials
- IVMinutes of the 70th Annual Report
- VReport of Chairman
- VIReport of Treasurer
- VIIReport of Supervisory Committee
- VIIIPresident's Report
- IXOld Business

Board of Directors

Chairman
Paul Dockter

Vice Chairman
Coleen Balzarini

Secretary
Cheryl Patton

Treasurer
Dale Bimler

Directors
Randy Boysun
Mark Nash
Ed Naughten

Associate Directors
Tom Bryant
Colleen Holzheimer





I am ...

WISDOMFUL
RESOLUTE
GREAT
STELLAR
AWESOME
SUCCESSFUL
CREATIVE
INEFFABLE
EMPOWERED
CAPABLE
PERFECT
PROFITIOUS
UNDERSTANDING
FLEXIBLE
SUPPORTIVE
ENCOURAGING
RESPECTFUL
DILIGENT
ATTENTIVE
REWARDED
ADAPTIVE
EAGER
EXCELLENT
FABULOUS
CARING
MOOSET
TERRIBLE

The **myRewards Checking**[®] program is free checking at its finest with a sky-high rate of 3.26% APY* on balances up to \$10,000 and other great benefits like nationwide ATM fee refunds** plus no minimum balance or monthly fees!

*Annual Percentage Yield (APY) accurate as of 5/11/2011. Rate tiers are as follows: 3.26% APY applies to balances of \$,01 - \$10,000 and 0.30% APY applies to balances over \$10,000 as long as qualifications are met each statement cycle. 0.05% APY applies to all balances if qualifications are not met. Rates may change after the account is opened. Fees may reduce earnings. No minimum balance required. No monthly service charge. Available to personal accounts only. **ATM fee refunds up to \$10 per cycle when qualifications are met.



Chairman's Report...

Over the past 4 years, we have seen the number of credit unions decline by over 1,000. Most of the decline was due to either mergers or liquidations. In 2008, we made a very strategic decision to merge Montana FCU and Community FCU. The combining of the two credit unions has proven to be a very successful financial decision. We are now the largest credit union in this area and the fourth largest credit union in the state. More importantly, we are able to provide you with the quality service and products that you deserve. Over the past 3 years, we have added Saturday service, *myRewards Checking*[®], *eServices* and *Over Draft Privilege*. The future is looking very bright for your credit union. In addition to the growth of your credit union, the National Credit Union Administration (NCUA) has established financial literacy standards for your directors. We, as your elected directors, are required to enhance our financial knowledge of the credit union due to the complex nature of governing your credit union. We are up to the task and look forward to the challenge of 2011 and beyond!

"We are now the largest credit union in the area and the fourth largest credit union in the state"

It is a privilege to serve as your Chairman. My job is made much easier because of the complete support and dedication of the other members of the Board of Directors. I would also like to acknowledge Wally, his management team and outstanding staff. They make it all work.

Respectfully Submitted,

Paul Dockter

Chairman





VALUED
STUPENDOUS
APPRECIATED
POSITIVE
INSPIRING
ABSOLUTE
GREAT
STELLAR
AWESOME
SUCCESSFUL
CREATIVE
INEFFABLE
EMPOWERED
CAPABLE
PERFECT
PROFITIOUS
UNDERSTANDING
FLEXIBLE
SECURE
ENCOURAGING
RESPECTFUL
DILIGENT
ATTENTIVE
CAPABLE
POSITIVE
SMART

I am ...

Montana Federal Credit Union offers its members an easy, safe and secure online way to handle their finances, utilize Billpay, re-order checks and more through Online Banking. Not to mention - enrolling in paperless **eStatements**® is one of the easiest ways to make a difference for our environment!

Treasurer

Treasurer's Report...

It is my pleasure, as Treasurer, to report to the membership that Montana Federal Credit Union continues to be financially sound. The staff and volunteers employ solid management decisions and sound fiscal policies to ensure safety and soundness. 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 the annual budget.

The auditing firm of Hamilton Misfeldt & Company completed the annual independent audit for FYE December 31, 2010 and issued an unqualified opinion affirming that the financial statements of your credit union were presented fairly in all aspects.

I would like to thank management and staff for their accurate and timely preparation of the monthly financial statements.

Dale R. Bimler
Treasurer

***"Montana
Federal Credit
Union
continues to be
financially
sound"***





I am ...

- AMAZING
- FANTASTIC
- FAVORABLE
- FORTUITOUS
- GREAT
- INCREDIBLE
- CAREFUL
- HELPFUL
- IMPORTANT
- MIRTHFUL
- REMARKABLE
- SMART
- SPECTACULAR
- SPLENDID
- SUPER
- ULTIMATE
- UNBELIEVABLE
- WONDRIOUS
- HAPPY
- READY**
- EXCITED
- SAFE
- WISE
- VALUED
- STUPENDOUS
- APPRECIATED
- REVERENT

Our mortgages and Home Equity loans feature below-market rates and member-friendly terms. Whether you're in the market for a new home or renovating your existing home - we're ready to give you the tools to succeed in your home ownership goals.

Supervisory

Supervisory Committee Report...

One of most important responsibilities of the Supervisory Committee is to ensure an independent audit is performed annually. To carry out this responsibility, the Supervisory Committee employs certified public accountants to audit the financial statements of Montana Federal Credit Union. In this regard, the Supervisory Committee contracted with Hamilton Misfeldt & Company in 2010 to perform the annual audit of Montana Federal Credit Union's financial statements. The purpose of the audit is to determine if the financial statements comply with generally accepted accounting principles and fairly represent the financial condition of Montana Federal Credit Union.

In addition, the Supervisory Committee works with the National Credit Union Administration (NCUA), our federal regulator, when it conducts its periodic examination of Montana Federal Credit Union. The NCUA performed a routine examination in January of this year and has issued their report.

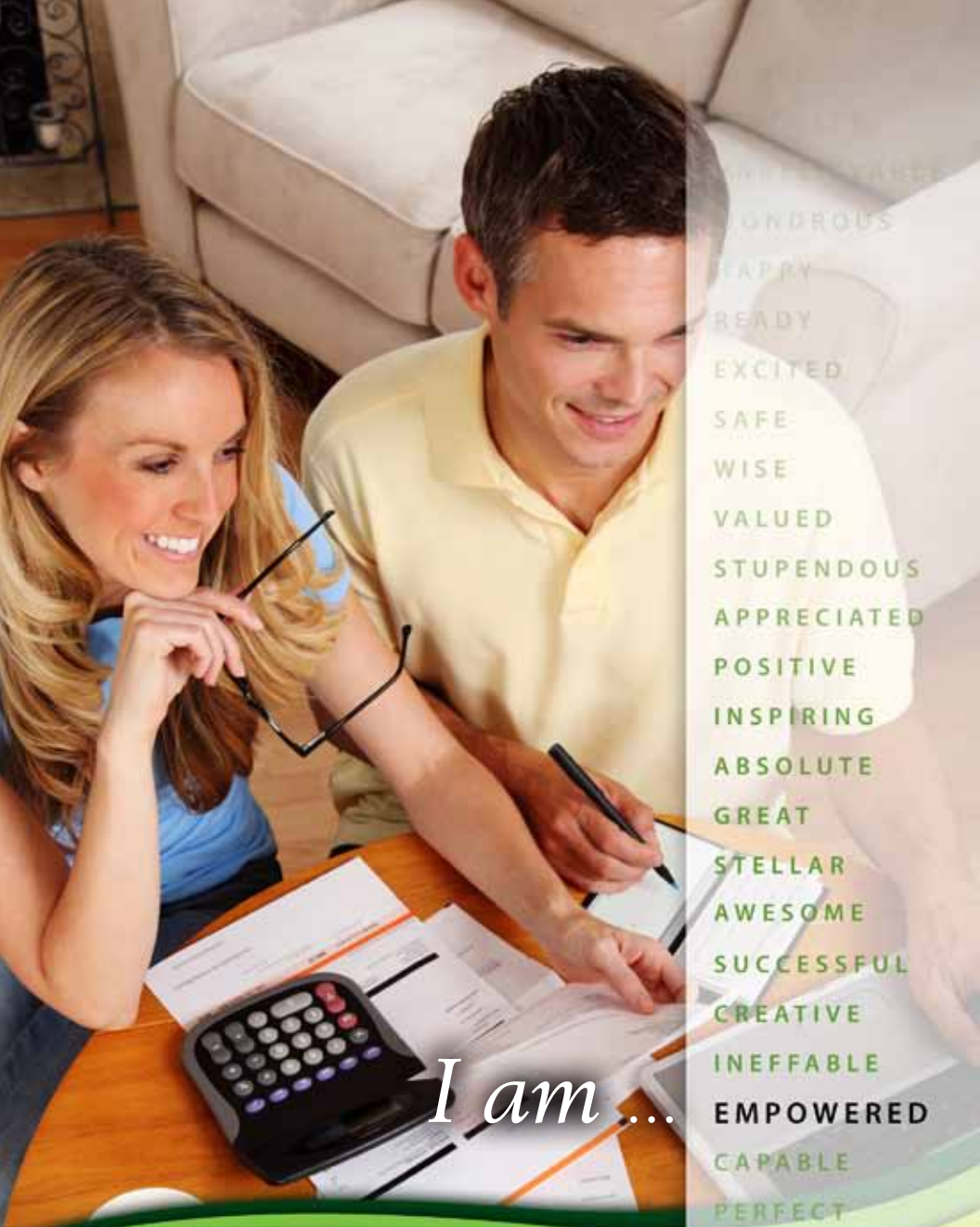
We are pleased to report that the annual audit conducted by Hamilton Misfeldt & Company for 2010 was completed successfully and Montana Federal Credit Union received an unqualified or "clean" opinion on its financial statements. The Supervisory Committee concurs with this assessment. In addition, the results of the recent NCUA examination indicated Montana Federal Credit Union is in compliance with the related governing laws and regulations. The NCUA issued a Camel 1 rating as a result of this examination which is the highest rating a credit union may receive. The Committee is pleased to report that Montana Federal Credit Union is a financially sound organization dedicated to serving its members.

Respectfully Submitted,

Randy Boysun
Chairman

***"Montana
Federal Credit
Union received
an unqualified or
"clean" opinion
on its financial
statements"***





I am ...

WITNESSABLE
CONDROUS
HAPPY
READY
EXCITED
SAFE
WISE
VALUED
STUPENDOUS
APPRECIATED
POSITIVE
INSPIRING
ABSOLUTE
GREAT
STELLAR
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EMPOWERED
CAPABLE
PERFECT
PROFITIOUS
UNDERSTANDING
FLEXIBLE
SUPPORTIVE
EFFICIENT

We offer an incredible variety of member services that cater to all age groups. From *Pee Wee Penguin* savings accounts for younger members to our *Golden Cache* checking accounts for 55 and older - we empower all of our members to take charge of their finances.

President

President's Report...

As we enter into the second decade of the 21st century, your credit union is continually striving to improve our products and delivery system to you. We implemented a new program called *eStatements*[®], *eLetters* and *eAlerts*. The E stands for electronic. By signing up for this service, we expedite your correspondence and statements and save the credit union money. Your statement is delivered to your computer immediately following the end of the month. This process is safe and very cost effective. You can also sign up for *eAlerts*. You determine what you want to be notified about and we deliver. These services save time and money by eliminating paper. If you have access to the internet, I strongly urge you to sign up for these new services.

With savings rates being so low, we implemented a new service called *myRewards Checking*[®] and *mySaver Account*[®]. This new program allows you to earn a higher rate on your checking and savings account. To qualify for this program, you must do 12 debit card transactions, sign up for E-statements and have at least one ACH debit or credit. In return for meeting these requirements, you get paid a higher dividend rate. To date, we have almost 800 members signed up and using this service. Please check with member services to get more information and become a member of our *myRewards Checking*[®]!

We have continually looked at upgrading our online banking and bill payer site. I am pleased to announce that, effective August 2011, we will be changing our vendor and providing you with a more user friendly site. I believe that this change will be a significant improvement over our current site.

“Our annual audit has earned us the highest rating for financial solvency”



We will keep you informed as we progress. If you have not already signed up for online banking, I strongly urge you to sign up today. To date, we have over 4,000 members who are currently using the system. I believe that you will thoroughly enjoy the convenience of banking while in the comfort of your home.

We recently completed our annual audit from the National Credit Union Administration (NCUA). I am extremely proud to announce that we received their highest rating for financial solvency. Legislation was recently passed to make permanent the increase of deposit insurance to \$250,000. What all this means to you is that your credit union is alive and well!

The key to success of any organization is the direction and guidance of its board of directors. I thank you for providing me with a group of dedicated volunteers that are committed to the credit union philosophy. In addition to the board, I am truly blessed to have an outstanding staff to provide the service that you deserve. Together (board, staff and management) we make a great team.

Thank you and God bless America!

Wally Berry
President/CEO

I am ...

Montana Federal Credit Union is owned by the members and has always been not-for-profit. All profits return to our members in the form of lower fees for services, better loan and investment rates, and more personalized service to help you meet your financial goals.

MIGHTY
REMARKABLE
SMART
SPECTACULAR
SPLENDID
SUPER
ULTIMATE
UNBELIEVABLE
WONDEROUS
HAPPY
READY
EXCITED
SAFE
WISE
VALUED
STUPENDOUS
APPRECIATED
POSITIVE
INSPIRING
ABSOLUTE
GREAT
PROUD
AWESOME
SUCCESSFUL
CREATIVE
INEFFABLE
EMPOWERED
VARIABLE
MIGHTY

Financial Highlights...

Comparative Statements of Financial Condition

For the years ended	12/31/10	12/31/09
Assets		
Cash on hand	\$ 1,744,261	\$ 1,585,171
Cash deposits.....	\$ 15,947,621	\$ 12,017,210
Investments	\$ 54,940,858	\$ 38,788,061
Loans to members (net)	\$ 83,693,226	\$ 88,495,237
Land & building.....	\$ 3,408,187	\$ 3,473,486
Furniture, fixtures, & equipment	\$ 328,433	\$ 329,179
Accrued Income.....	\$ 209,603	\$ 252,224
Prepaid expenses	\$ 291,346	\$ 371,636
Share Insurance reserve	\$ 1,393,344	\$ 1,241,234
Other Assets	\$ 239,286	\$ 192,131
Total assets.....	\$ 162,196,166	\$ 146,745,568

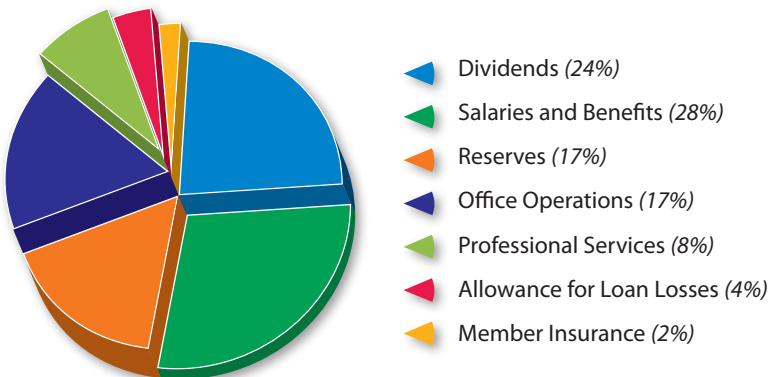
Liabilities

Accounts payable.....	\$ 72,154	\$ 104,140
Other liabilities	\$ 185,207	\$ 248,828
Total liabilities	\$ 257,361	\$ 352,968

Equity

Regular shares	\$ 47,525,084	\$ 41,917,239
Money market accounts	\$ 45,127,118	\$ 35,293,418
Share drafts.....	\$ 19,622,757	\$ 17,515,006
Certificates	\$ 27,894,881	\$ 31,826,912
IRAs	\$ 6,327,752	\$ 5,269,304
Reserves.....	\$ 2,472,553	\$ 2,468,379
Undivided earnings	\$ 12,968,661	\$ 12,102,341
Total liabilities/equity.....	\$ 162,196,166	\$ 146,745,568

2009 Distribution of Gross Earnings



Financial Highlights

Financial Highlights...

Comparative Statements of Income and Expenses

For the years ended	12/31/10	12/31/09
Income		
Interest on loans	\$ 4,781,912	\$ 5,085,111
Investment income	\$ 976,368	\$ 1,070,571
Other income	\$ 2,038,681	\$ 2,050,718
Gross Income	\$ 7,796,961	\$ 8,206,401

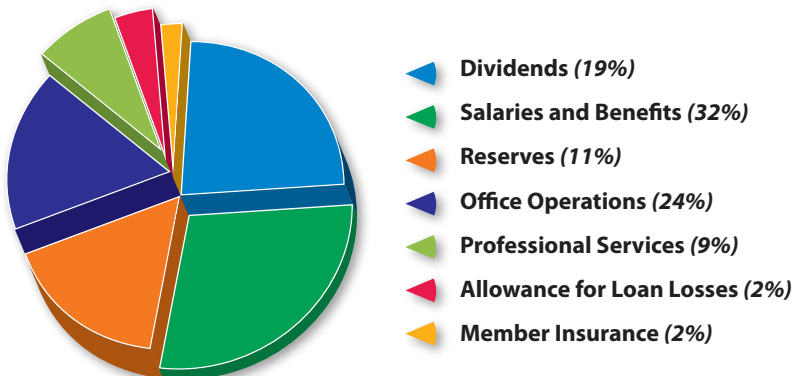
Expenses

Salaries & benefits	\$ 2,476,546	\$ 2,306,500
Association dues	\$ 34,145	\$ 30,827
Office operations	\$ 845,167	\$ 836,652
Advertising & promotion	\$ 174,625	\$ 183,624
Outside services	\$ 725,764	\$ 679,932
Allowance for loan loss	\$ 168,339	\$ 320,067
Member insurance	\$ 173,053	\$ 143,588
Other operating expenses	\$ 841,108	\$ 326,430
Total expenses	\$ 5,438,746	\$ 4,827,620
Gain from operations	\$ 2,358,215	\$ 3,378,781

Earnings Distribution

Dividends	\$ 1,491,896	\$ 2,004,854
Net income	\$ 866,319	\$ 1,373,927
Total earnings	\$ 2,358,215	\$ 3,378,781

2010 Distribution of Gross Earnings



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
- Full Family Membership
- 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
- U.S. Savings Bonds
- Christmas Club Accounts
- VISA Gift Cards
- CUMoney VisaTravel Card
- Credit Life and Credit Disability Insurance
- Bronze Cache Account (Free Checking)
- Silver Cache Account (Interest Bearing)
- Golden Cache Account (55 and Over)
- MyRewards Checking®
- MyOnline Services:
 - eStatements®
 - eLetters
 - eAlerts

Locations and Hours

901 8th Avenue S • #15 14th Street S • 540 Smelter Avenue NE

Lobby Hours

9 am - 5 pm Monday - Thursday
8:30 am - 5:30 pm Fridays

Driveup Hours

7:30 am - 6 pm Monday - Friday
9:00 am - 1 pm Saturday (14th St only)





I am ...

PROUD
HAPPY
READY
EXCITED
SAFE
WISE
VALUED
STUPENDOUS
APPRECIATED
POSITIVE
INSPIRING
ABSOLUTE
GREAT
STELLAR
AWESOME
SUCCESSFUL
CREATIVE
INEFFABLE
DRIVEN
CAPABLE
PERFECT
PROFITOUS
UNDERSTANDING
FLEXIBLE
SUPPORTIVE
DYNAMIC

Taking out a loan is a big investment, but our competitive selection of loan rates makes the decision-making process one step simpler. From vehicle loans, RV loans, personal loans or share secured loans - we provide the financial solutions that you're looking for!



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