

BELONG



Missoula Federal
Credit Union

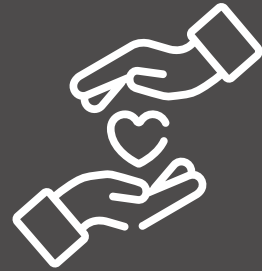
2017 | ANNUAL REPORT

Volunteering

MFCU EMPLOYEE

TOTAL VOLUNTEER HOURS

2,766 hours



Philanthropy

\$304,838

DONATED TO 208

NON-PROFIT ORGANIZATIONS

7.5%

OF OUR 2017 NET INCOME

\$8,200

in
SCHOLARSHIPS
AWARDED
in 2017



Awards & Recognition

1st PLACE ★
BEST OF MISSOULA
FINANCIAL INSTITUTION
by the Missoula Independent



3rd PLACE ★
BEST OF MISSOULA
GREEN BUSINESS
by the Missoula Independent



MISSOULA'S CHOICE
by the Missoulian

Membership

MEMBERSHIP BY LOCATION

Mineral County: 451

Lake County: 1,494

Missoula County: 34,624

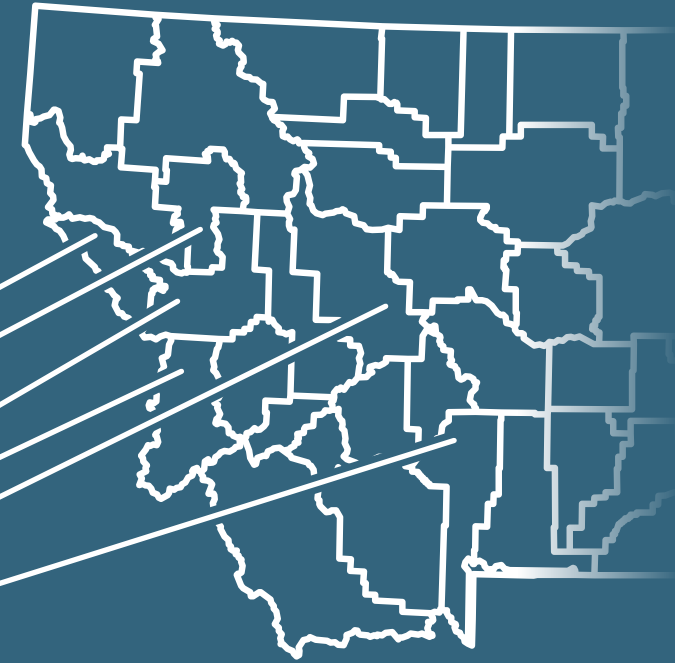
Ravalli County: 4,789

Lewis & Clark: 265

Gallatin County: 359

Other Counties: 2,003

Out of State: 5,054



4,972 49,039
NEW MEMBERS TOTAL MEMBERS

MONTANA'S
Largest
COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION
(CDFI)

MEMBER GABV

global alliance
for banking
on values



BELONG

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MISSOULA FEDERAL CREDIT UNION

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A NOTE FROM OUR BOARD OF DIRECTORS

2017 was a big year for Missoula Federal Credit Union. Not only did we achieve an incredibly strong overall economic performance, but we also adopted a compelling new strategic plan titled, "A Pivot to Values-Based Banking."

What do we mean by values-based banking? First, we mean getting really transparent about just what our organization values. These values are described in detail online at missoulafcu.org/belong. While these values were refined in the new Strategic Plan, we expect our members and the community will recognize them as having been a part of their MFCU throughout its history.

As a part of our commitment to transparency, the MFCU Strategic Plan and organizational values can be accessed at missoulafcu.org/strategic-plan and missoulafcu.org/belong.

To summarize, there are **FOUR CORE VALUES** that define MFCU:

- The first MFCU value is about our cooperative, **MEMBER-OWNED** structure. That is the foundation. Everything we do must be in our members' interest. We aim to build long-term relationships, not to win short-term profits.
- Secondly, MFCU values all its members and strives to be an **INCLUSIVE**, rather than exclusive, organization.
- Our third core value is about **EMPOWERMENT**. We are working hard to ensure that everything we do empowers people—our co-workers and our members—and puts them in a better place than they were before.
- Finally, the fourth MFCU core value is about **IMPACT**. We believe that together we matter, and we aim to make a positive difference in the world around us.


Our commitment to values-based banking also means thinking about both our business operations and our balance sheet in new ways. While the traditional management and economic considerations continue to apply, our new question is: What can we do to better align both our business operations and our balance sheet with our organizational values?

This is an easy question to ask, but a complex one to answer.

However, with this challenge comes great opportunity. Using our values as a lens, we are actively working to find ways to measure the distance between actual practice and our shared values. This 2017 MFCU Annual Report illustrates the progress we are making. The metrics you will see in the report begin to describe, for example, the way we treat and empower our employees, the environmental impacts of our business operations, and the social impact of some of our lending operations.

Why did we choose this strategy for the credit union? Four reasons stand out:

- MFCU is well recognized as a good corporate citizen. We want to put even more of our resources to that end. Values-based banking builds on this ethic. It is a strategy that builds on a competitive advantage.
- More and more consumers want to engage with businesses with whom they share values.
- Employees increasingly want to work for businesses with whom they share important ideals. We are increasing our commitment to creating a positive and meaningful work environment.
- Values-based banking is a great differentiator. In a world where financial institutions are often seen as too complex, too removed from the real economy and too focused on maximizing short-term profit to pay attention to the social, economic and environmental consequences of their actions, we aim to stand out as something different.

This is evolutionary, not revolutionary change. We are building on a very strong foundation and continuing the best of our work. At the same time, we are getting decisive about what we stand for and aiming to differentiate along those lines. When we have succeeded, we will have created a more meaningful banking relationship for our members. 

**THAT IS BELONGING.
AND BELONGING IS THE NEW BANKING.**

2017 BOARD MEMBERS

Carl Rummel	Chairman
Bill Borrie	Vice Chairman
Don Creveling	Secretary
Tony Boote	Treasurer
Leslie Halligan	
Glenda Bradshaw	
Martha Newell	

on the road to

DESBELE'S

dreams



The average time it takes a refugee to be resettled is two years—that is two years of waiting and wondering what is next. What dreams are ahead? Desbele Tekle and his family came to Missoula from Eritrea, Africa, in May of 2017 during the magic of a Montana springtime. His sister and her family came too, and they all quickly grew to love the mountains, the people, and the “long-running river.”

When Desbele and his family arrived, staff from International Rescue Committee (IRC) Missoula greeted them at the airport and brought them to their new home. After the family settled in, Desbele and his wife, Samrawit, attended Missoula Federal Credit Union’s Understanding the U.S. Banking System class for refugees, which IRC Missoula and MFCU created together. This class

(IRC) INTERNATIONAL RESCUE COMMITTEE

As the only refugee resettlement agency in Montana, The International Rescue Committee (IRC) in Missoula serves as a gateway for new Americans who have survived against incredible odds. IRC services the needs of refugees, asylees, victims of human trafficking, survivors of torture, and other immigrants so they can thrive in America.

The IRC/MFCU partnership is part of IRC Missoula's overall mission to increase economic well-being and financial literacy for refugees. Additional IRC Missoula programming includes IRC Missoula's job readiness training, tax prep assistance through a partnership with the University of Montana's College of Business and computer classes through a partnership with the Lifelong Learning Center. These programs help ensure the financial security and self-sufficiency of refugees coming to Missoula.

www.rescue.org/united-states/missoula-mt

teaches families like Desbele's how to write a check, use an ATM machine and debit card, and understand the difference between a savings account and checking account. IRC Missoula and MFCU organize these training sessions in Arabic, Swahili and Tigrinya with the use of IRC Missoula's on-staff interpreters.

Some of the challenges of resettlement are unique (language, culture), and some of the challenges are universal. As a family of six, everyone has unique schedules—Desbele's children are 15, 13, 8 and 5, which means high school, middle school, elementary and daycare. Any Missoula family will tell you that four kids in four different schools (as well as after-school activities such as soccer, basketball and volleyball) will present transportation issues.

It quickly became clear the family needed a vehicle.

"This opportunity allows us to dream."


- DESBELE TEKLE



Desbele first went to a dealership to try to navigate a car purchase with a \$500 credit card in hand. When that didn't work, he called a friend (who was our translator for this interview), and they went together to MFCU. Because of the banking classes he had taken, Desbele knew MFCU would be able and willing to help guide this first major purchase.

With a loan from MFCU, Desbele was able to purchase a minivan to meet his family's needs. He can now transport his entire family at once. The exception being when they go to church, he makes two trips so he can pick up his sister and her family as well. The van is a lifeline to their faith, family, and future.

Both Desbele and his wife work, and the car has allowed them to move into jobs better suited for their talents. Back in Eritrea, Desbele was a midwife. Now, because of the car, he is able to work at the Village Health and Rehabilitation Center. He is thrilled to be working again in the medical field. In his own words, Desbele explains he is, "So happy getting a loan because otherwise, it would take a very long time to get money to get a car, which would distort our plans. This opportunity allows us to dream."

They are settling in, finding their place here in Missoula, and are safely nestled in the valley. With his family all together, a reliable set of wheels, and help from the local credit union, Desbele's dreams can come true. 

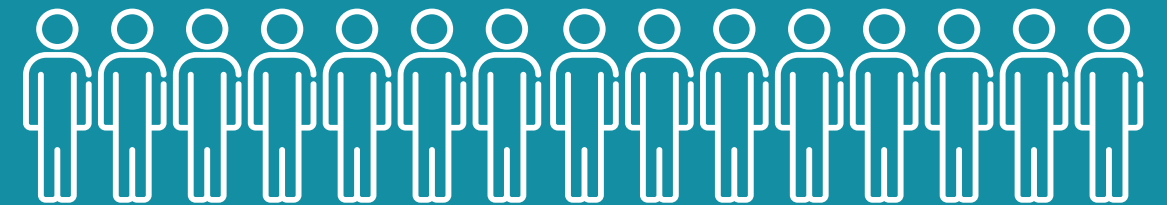


Financial Education

140 MEMBERS received **FINANCIAL COUNSELING** for budgeting and financial management assistance

OVER THE COURSE OF

602 COUNSELING SESSIONS



MFCU is providing **FINANCIAL EDUCATION CURRICULUM**

to **26 SCHOOLS**

REACHING 1,947 YOUTH



Provided **ONLINE FINANCIAL EDUCATION** to

35 NONMEMBERS & 277 YOUTH MEMBERS



BANKING CLASSES OFFERED THROUGH THE MFCU/IRC MISSOULA PARTNERSHIP

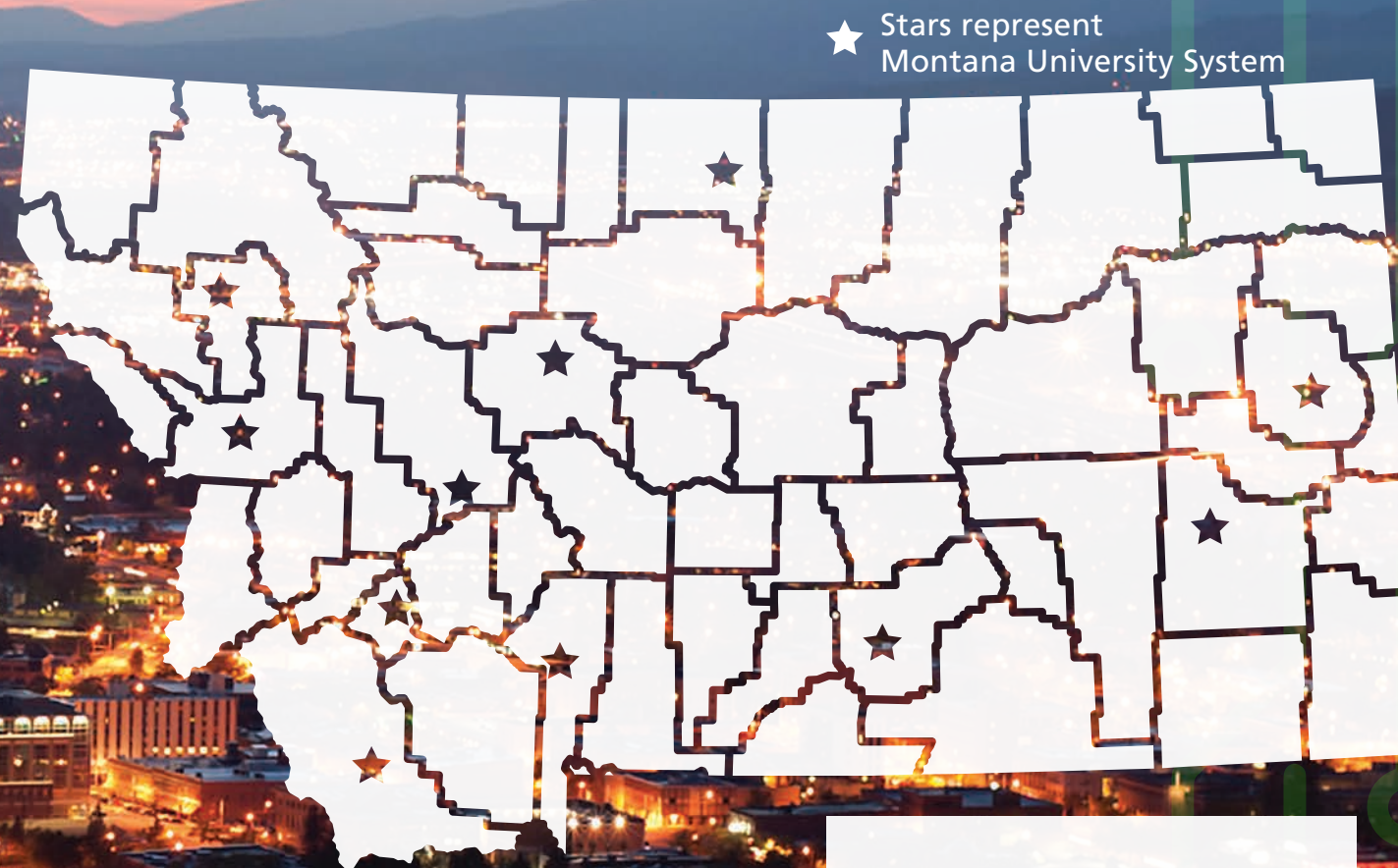
Basic Banking

Basic Banking 2

Mobile and Online Banking

Classes include translators for Eritrean and Congolese refugees.

GROWING MONTANA ROOTS



Great employment opportunities at MFCU are empowering Montana University System graduates to live where they love and love what they do.

The following stories are from Lisa Lee and Matt Erickson, both MFCU employees and Montana University System graduates.

Education



MONTANA UNIVERSITY SYSTEM GRADUATES (MUS) working at MFCU

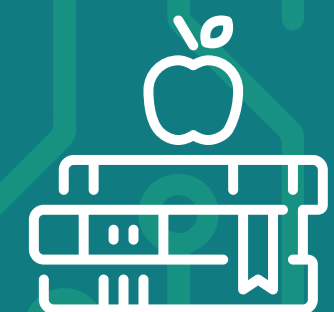
66% Attended a **MUS SCHOOL**

47% Graduated from an **MUS SCHOOL**

MFCU OFFERS ALTERNATIVE EDUCATION LOANS FOR:

**MONTANA CODE SCHOOL
COMMERCIAL DRIVERS LICENSE (CDL)**

ROCKY MOUNTAIN SCHOOL OF PHOTOGRAPHY



I HEART MISSOULA

Montana has always been a huge factor in the personal and professional choices I've made throughout my life. I was born and raised between Missoula and Great Falls. Throughout my youth, we camped, traveled the state, and were active members of our church.

Now, as a parent myself, I spend most weekends following my 13-year-old son for hockey and lacrosse. When we're not on the road, we cherish opportunities for outdoor recreation, art and music, educational events, and family happenings. We also enjoy good schools and short commutes.

Since Missoula has always been "home" for me, establishing a career here was a priority. My path to that career began at Montana State University (MSU) with a degree in Mechanical Engineering Technology, but it has since taken many unexpected turns.


After graduation, I was hired by Boeing in Washington as a tooling engineer. A year later, I was laid off and returned to Missoula for a job in consulting engineering. I missed manufacturing, but I was committed to raising my family here.

A few years later, after yet another layoff, I applied for a part-time teller position at Missoula Federal Credit Union (MFCU). That was 16 years ago. I'm still here.

During this long career at MFCU, I've had a wide range of experiences that have fed my personal and professional growth. After working as a teller, I then transitioned to real estate, where I worked as a loan officer and processor, before eventually moving into my current role as a compliance specialist.

As a compliance specialist, most of my work is behind the scenes helping fellow employees. I spend a fair bit of time on policies and procedures, but I am also responsible for suspicious activity and fraud monitoring.

MFCU has been a great fit for me through the years. The family-friendly attitude of management and flexibility have been huge assets. I also appreciate the myriad opportunities I've been given to expand my professional knowledge and competency.

As a Montanan and a Montana grad, I am grateful I get to build my career here. Although I didn't exactly set out to work for a credit union, MFCU supports my growth as a professional and my lifestyle and adds value to the place I love. 



Compensation Philosophy:

Our commitment to values-based banking is reflected in our Compensation Philosophy.

WE:

- Ensure that base compensation of the highest paid co-worker is no more than 10 times the base compensation of the lowest paid co-worker.
- Attract, retain, develop and engage co-workers who align with our core values and values-based banking strategy.
- Offer base compensation and benefits that are externally competitive, attract top talent and help to build a great staff.
- Ensure pay equity and non-discriminatory compensation practices for all employees.

As a part of our commitment to transparency, the MFCU Compensation Philosophy can be accessed at missoulafcu.org/careers.

FROM SUPER MARIO TO SYSTEMS ADMINISTRATION

Unlike a good many Montanans, I spent much of my youth inside, playing video games and dreaming about the day I would move to a large city and join the tech industry.

I was fascinated by video games. When Super Mario 64 came out and 3D graphics hit the scene, I felt like I was in a movie instead of just watching one.

I pursued a degree in computer science at the University of Montana (UM) so I could stay close to home and take advantage of in-state tuition. For me, the science of technology – the idea, for example, of sending billions of electrons through a logic processor to feed color information to 2,073,600 pixels on a screen just to produce an image – was both incomprehensible and magical!

During my time at UM, I made a lot of good friends. Unfortunately, many of them moved away after graduation. I stayed.


Still determined to one day live the big city life, I landed a job with a group of Seattle-based computational biologists who were using computer programs to map DNA. This work gave me an opportunity to live in Missoula but travel to places like Phoenix, Baltimore, and Seattle, where I could sample life away from Montana.

While the travel was enjoyable, it didn't support my long-held dream of moving. Instead, I came to notice and

appreciate the day-to-day connections with people in my community – the small talk with a cashier at the local grocery or an interaction with someone who lives in my apartment complex.

It took me a long time to learn that while I loved technology and computers, I also loved people. I had never thought of myself as a people person but eventually, computer labs and programming environments became too isolating and unhealthy. I wanted work that was more collaborative, engaging, and community oriented.

That's when I found a job as a system administrator for Missoula Federal Credit Union. Whether I'm fixing a web browser for a teller or working on a system-wide project, every day I'm here I know I'm making a difference for coworkers and members. And those coworkers do the same for me. They took me under their collective wing when I first arrived, teaching me everything I know. They showed superhuman levels of patience then – and now. Every day, we ask ourselves "What can we do better?" That ambitious, motivational attitude is incredibly uplifting.

MFCU embodies the best of Missoula – and Montana. The friendliness, willingness to extend a helping hand, positive outlook and work ethic all come together to create something far greater than the sum of its parts. 



Employee Engagement

94.07%

of employees are **LIKELY TO RECOMMEND MFCU** as a place to work

92.37%

of **MFCU** employees understand how their role contributes to our strategy and helps **MFCU** achieve its vision and mission



Recognized as one of the **HEALTHIEST COMPANIES** in America by Interactive Health, Inc.





MEASURING OUR IMPACT

Interview with Paul Herendeen,
Director of Impact Market Development

An important part of MFCU's commitment to values-based banking is understanding and taking responsibility for the environmental footprint of our business. In this story, we talk to Paul Herendeen, Director of Impact Market Development, about the focus of our very first Environmental Impact Assessment (EIA).

What does the EIA measure?

The EIA measures the impact of business operations. It's helpful to think about it in two parts. The first examines broad-scale impacts. For what we do, this mostly means greenhouse gas emissions and energy use. The second looks at local impacts including our water use, solid waste generation, and air pollutant emissions. The assessment covers direct effects, things we do on site, as well as indirect effects like corporate travel and employee commuting.

Tell us why the measurement of MFCU's environmental impact is important?

Above all, it's an important part of our commitment to transparency. Our members deserve to know. We also recognize that the first and most direct way we can become better environmental stewards is to analyze and address issues under our control. Carbon offsets have their place, but if, for example, we can simply use less

energy and water during the average business day, we can make an immediate and tangible difference, lessening our environmental impact.

What outcomes do you anticipate —internally and externally?

The response of our co-workers and membership to values-based banking has been overwhelmingly positive, and this work is an extension of those values. With an initial focus on business operations, I expect we'll be able to reduce our impact in significant and cost-effective ways. We want Montanans to know that by banking with us, or serving in any capacity for the credit union, you're helping protect Montana's environment and improve the way we do business. We also hope our work will educate and inspire others to follow our example.

HOW DO WE ASSESS?

Reducing our environmental impact isn't a one-time thing; it's an ongoing effort to incorporate sustainability into our day-to-day operations. Measurement is a critical first step, but it's not enough. For measurement to be effective, it needs to be followed by action.

What is the timeline for the project?

The first assessment was recently completed and published. The next step will be to determine and implement priorities for reductions. Then we'll measure again, and the cycle will repeat. Assessments and associated action plans will be conducted annually, starting with low-hanging fruit and moving on from there.

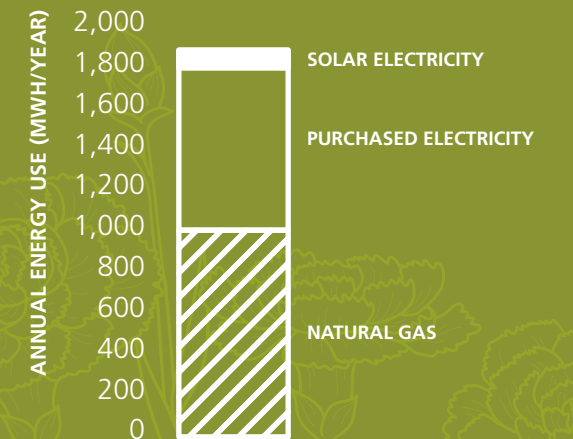
How does this plan help achieve the mission of MFCU?

Our mission is to be a force for good in banking, in the communities we serve and in the lives of our members. Reducing our environmental footprint is good business, and we hope that our stewardship will educate and inspire our members, employees and fellow businesses and ensure that clean water, fresh air and healthy wild places continue to define what makes Montana a special place to live and work.

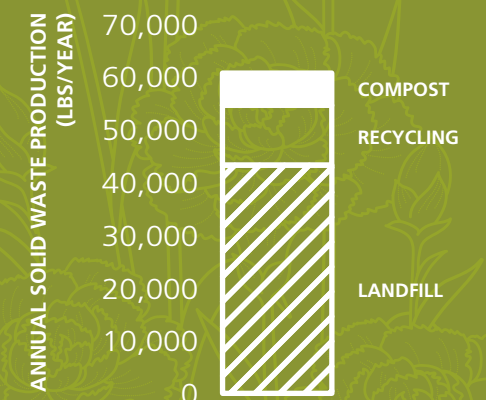


Initial Findings

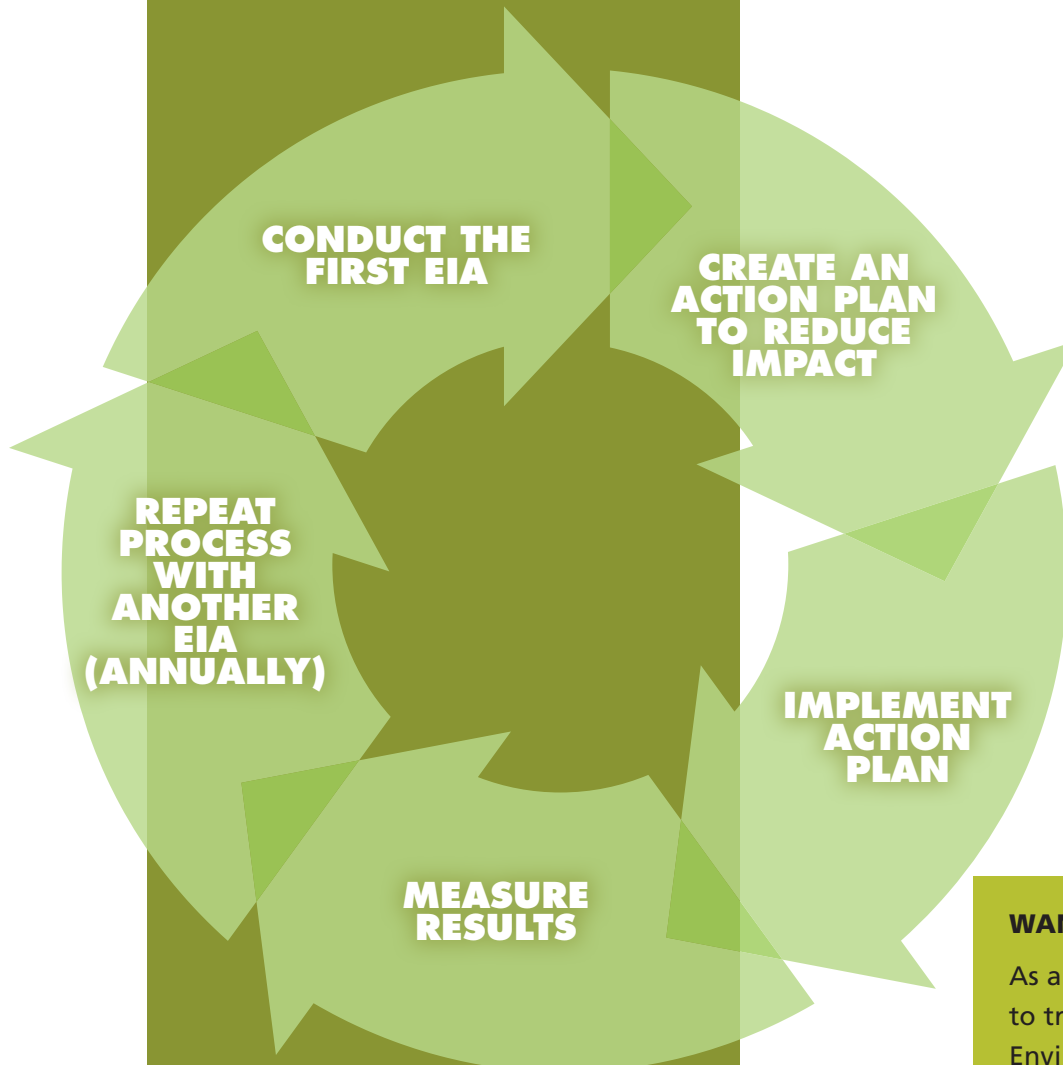
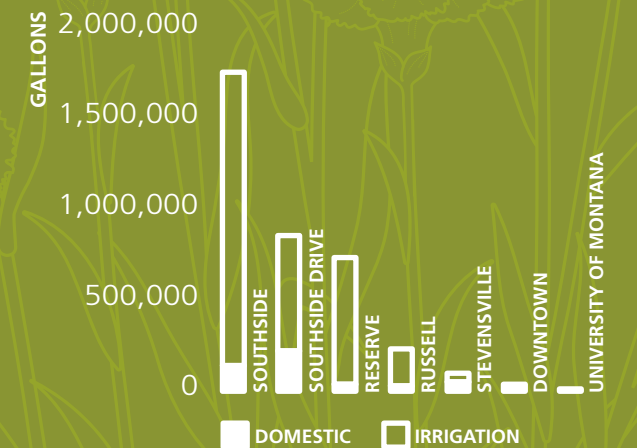
BUILDING ENERGY USE



SOLID WASTE PRODUCTION



WATER USE



WANT TO LEARN MORE?

As a part of our commitment to transparency, the MFCU Environmental Impact Assessment can be accessed at missoulafcu.org/environment.

BIO: Paul Herendeen is an environmental scientist turned impact implementer. Prior to joining the credit union, he worked in the research offices of the U.S. Geological Survey and U.S. Forest Service. He holds degrees in science and engineering from the University of Virginia and Cornell University.

A Place To **BELONG**

How Smart Accounts Are Smart Business

Developing this program meant people who couldn't get approved for any other type of account now have a viable alternative. We give them a cost-effective way to spend and build a relationship with a financial institution.

— Bill St. John, Senior Vice President of Branch Banking

The words inclusive and banking don't always go hand in hand. Remarkably, not everyone qualifies for a traditional checking account due to credit history or a pattern of overdrafts, often brought on by extenuating circumstances.

When Vice President of Credit Administration, Brandi McKnight, recognized that there were Missoula community members who were considered "unbankable," she and Bill St. John, Senior Vice President of Branch Banking, knew there had to be a better way. MFCU knew they could ensure that every Missoulian had a place to bank and a place to belong.

"It hits home for me to see people going to retail stores to cash a paycheck or reload their debit card because I know the fees they pay to do that," McKnight explained. "Sparing them these fees could mean extra groceries for a struggling family."

McKnight and St. John's concern for the growing number of unbanked Missoulians was well founded. In 2016 the Center for Responsible Lending (CRL) conducted a study, "How Overdraft Fees Harm Consumers and Discourage Responsible Bank Products." The CRL Researchers estimated that consumers pay nearly \$14 billion annually in overdraft fees. The study confirmed that many financial institutions

still engage in abusive overdraft practices that ultimately force some consumers out of the banking system altogether.

Both McKnight and St. John soon realized that the existing options available to unbanked Missoulians were not sufficient. They discovered that while consumers could have a savings account, they could not have a spending account — both inconvenient and costly when factoring in check-cashing service fees and the excessive fees associated with the use of prepaid cards to load money, check balances, or use an ATM.

McKnight and St. John wanted to offer a program that:

- * eliminated the potential for overdraft fees
- * worked like a debit card
- * allowed members an entry point into successful banking

They set out to prove that it was possible to welcome underserved Missoulians into the MFCU family and give them the opportunity to thrive. What they developed was the Smart Spend Account, which gave previously unbanked members access to services at about a third of the cost of previous solutions.

MFCU rolled out the program slowly, conducting a field test with one MFCU member piloting the program in 2015. MFCU has since opened 608 accounts, many of which have transitioned to traditional draft or checking accounts. Some members have even continued this program after moving out of state.

Developing a product like the Smart Spend Account not only proves that banking can and should be more inclusive, but that doing the right thing can effectively move our members to a better place in their life. 🏡

Consumer Banking

5,332

NEW CONSUMER LOANS

in 2017 totaling

\$52,547,935



The FDIC estimates there are 10 million unbanked or underbanked American households. One report found the nationwide rates to be 7.7% unbanked and 17.9% underbanked.





DECONSTRUCTING THE
PAST
 TO BUILD A BRIGHTER
FUTURE

When Jason Nuckolls was 12, he knew he wanted to work for himself. He says his entrepreneurial spirit was probably inherited from his great grandfather who built a rather lucrative business buying and selling fresh fish from a truck. What he didn't know was that a solid career in construction at age 24 would be interrupted by a rare cancer diagnosis that would require two and half years of treatment.

Once in remission, Nuckolls, a fifth generation Montanan, and his wife, a Missoulian, decided to start a family. Nuckolls wanted to get back to construction but insisted on limited travel so he could be an attentive father and husband. In 2012, he was hired as the deconstruction manager for Home ReSource, where he discovered his work history and expertise in construction and excavation was exactly what the decon market needed. In 2017, he opened negotiations with Home ReSource to buy the decon business along with its current staff. Now, just one year into it, with his father-in-law on board as a partner and employee, Montana Deconstruction Services (MDS) and its sister company, Montana Excavation Services (MES), are burgeoning businesses with healthy support from the community and 11 full-time employees. All materials recovered in deconstruction get redistributed to consumers through sales at Home ReSource.

Exemplary professionalism, cleanliness, safety, and punctuality are just a few of the tenets that guide his employee culture every day. And while market trends point to significant growth in his bottom line, Nuckolls is perhaps more excited about his business as a tool for educating consumers, contractors, policy makers, neighbors, and employees about ways we can reduce our construction waste over the next 100 years. *///*

Business Banking

100

NEW BUSINESS LOANS
 in 2017 totaling

\$18,893,824

Securing a loan from Missoula Federal Credit Union was like borrowing money from my parents. It was about making the dream come true, sharing a seat at the table, and figuring out the rest later.

- **JASON NUCKOLLS**
 President MDS & MES



MORE THAN A HOME LOAN



Anyone who has ever purchased a home knows the path to ownership can be tricky to navigate alone. According to the Bureau of Business and Economic Research, a study recently completed by Gallup found that 45% of Montanans were dissatisfied with the availability of good affordable housing. In the Missoula market alone, the median home sales price climbed to \$268,250 in 2016. As a result, purchasers would need to earn

around \$70,000 for this to be “affordable.” Yet the median household income in Missoula County in 2016 stood at \$46,371. The expanding gap between household income and home prices adds an additional layer of complexity to the homebuyer’s journey.

Luckily, would-be homebuyers can count on Senior Vice President of Mortgage Banking, Justin Sanders, and the experienced team at Missoula Federal Credit Union (MFCU) to be with them every step of the way.

Mortgage lenders help people with what typically is one of the biggest financial decisions they’re ever going to make. For Sanders and his team, the work they do is deeply personal.

“There is a lot of work that goes into buying a home, with compliance, analysis, and many other hurdles to deal with,” Sanders commented. “We go through everything with our members to help them get to this cool thing at the end, which is owning a home. When you are able to help someone achieve the American Dream and provide some peace of mind in the process...it’s the most powerful thing I’ve ever seen.”

The commitment to building and maintaining a relationship with members is a driving force behind MFCU’s choice to service all the mortgages processed. Many financial institutions sell off their mortgages to secondary markets. The mortgage can then be sold again, potentially changing hands multiple times. So, when the time comes for the homeowner to call about an issue, they no longer know who to call. By keeping the processing, underwriting, and the continued servicing of the loans in house, MFCU is not only able to positively impact the local economy, but the homebuyer always has a local partner to engage with for as long as they own their home.

“Keeping the servicing at MFCU is how we maintain that local feel and personal touch,” explained Sanders. “Our members can come in year round to make payments, ask questions about taxes or discuss options if they’ve experienced a big life event. And we can guide them through those rough waters a little bit easier. It’s all just a little bit more personal.”

Mortgage Banking

1,961

MORTGAGE LOANS serviced in house in 2017 totaling

\$258,237,451

365

NEW MORTGAGE LOANS in 2017 totaling

\$48,087,789



MFCU was so wonderful to work with. They made the process of buying my first home so much easier. I felt like a deer in headlights, but they kindly and expertly guided me through the process.

- **EMILY**, MFCU Member & Proud Homeowner

Our Financial Position

A MESSAGE FROM OUR CEO

The economic story behind our pivot to values-based banking centers on paying attention to the fundamentals: We are growing, generating a reasonable level of net earnings, effectively managing asset quality, and building reserves to protect against external shocks.

As a member-owned cooperative, our job is not to maximize profits. It is to operate efficiently (so that members receive competitive prices), to generate sufficient profits to add technology and service capabilities, and to maintain a strong balance sheet. 2017 was a good year in all of these respects.

same period, net interest margin has increased from 1.86% to 3.09%. This combination of expense management coupled with a growing balance sheet and growing net interest margin has enabled us to steadily lift the credit union's return on assets from 20 basis points in 2013 to 84 basis points in 2017.

ASSET QUALITY

- While the size of the total loan portfolio has grown, we have also been careful to put members into loans appropriate to their circumstances.
- Total loan delinquency has declined from 1.63% in 2013 to 0.88% in 2017, and net charge-off rates have dropped from 1.86% in 2013 to 0.64% in 2017.

RESERVE PROTECTION

- The first form of reserve protection is the credit union's allowance for loan losses. As of December 31, 2017, MFCU's allowance for loan losses account stood at \$5.2 million, or 2.36% of total outstanding loan balances. This is a very well-funded allowance for loan losses.
- The second form of protection is the credit union's net worth position. The net worth to total asset ratio declined with low and negative net earnings during the financial crisis years. By December 31, 2013, it stood at 9.13%. Even with rapid asset growth, we have pushed earnings even faster and have accreted net worth steadily across the last five years. As of December 31, 2017, the credit union's net worth to asset ratio stood at 9.88%.

SIGNS OF GROWTH

- Net membership growth has been steady and twice the peer average with a rate of 4.1% over the last three years.
- Total deposits have grown by some \$30 million per year, or greater than 8% annually. This has driven total asset growth rates to 7.5% per year, compared to a peer average of about 4.7% over the last three years.
- Loan balance growth has averaged 16.2% across the last three years, compared to 8.5% among peers.

NET EARNINGS

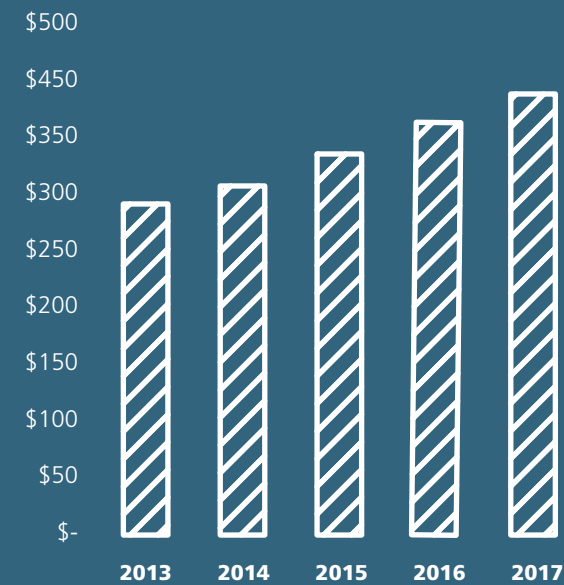
- Looking back across a five-year time frame, the credit union's efficiency ratio (i.e., the proportion of operating income that is consumed by operating expenses) has declined from 95% in 2013 to 72% in 2017. Over that

MFCU PRESIDENT & CEO

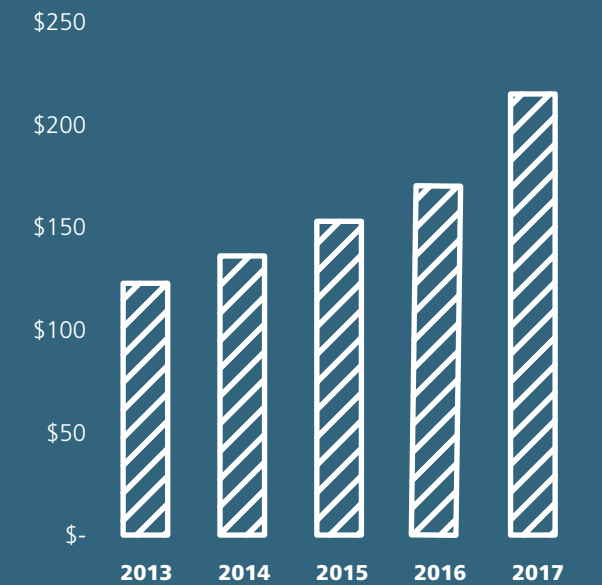
Jack Lawson

Signs of Growth

TOTAL DEPOSITS IN MILLIONS

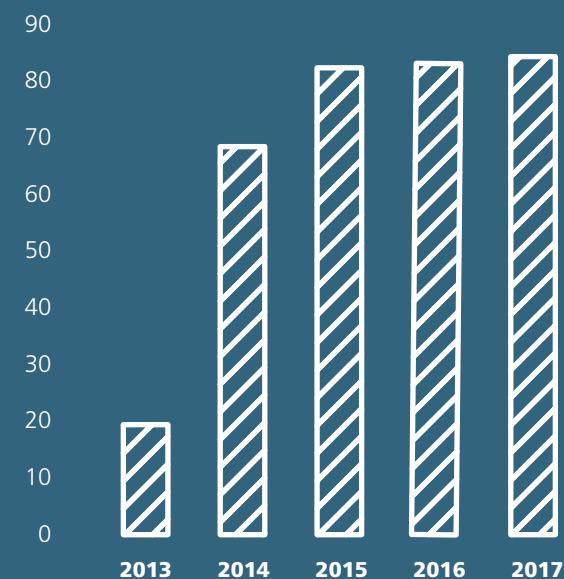


TOTAL LOANS IN MILLIONS

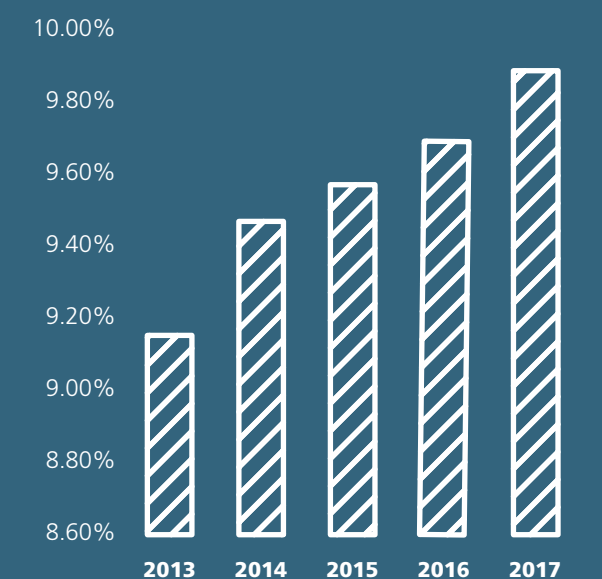


Net Earnings

RETURN ON ASSETS | BASIS POINTS



NET WORTH RATIO




Income Statement

	2016	2017	DIFFERENCE	%CHANGE
INTEREST INCOME				
INTEREST ON LOANS	9,030,533	10,628,449	1,597,916	17.69%
INVESTMENT INCOME	4,962,183	5,520,504	558,321	11.25%
TOTAL INTEREST INCOME	13,992,716	16,148,953	2,156,237	15.41%
INTEREST EXPENSE				
DIVIDENDS	1,083,472	1,056,747	-26,725	-2.47%
INTEREST ON BORROWED FUNDS	224,662	241,655	16,993	7.56%
TOTAL INTEREST EXPENSE	1,308,134	1,298,402	-9,732	-0.74%
NET INTEREST INCOME				
NET INTEREST INCOME (AFTER PROVISION FOR LOAN LOSSES)	12,684,582	14,850,551	2,165,969	17.08%
PROVISION FOR LOAN LOSSES	1,227,457	2,537,010	1,309,553	106.69%
OTHER OPERATING INCOME	7,298,963	8,000,112	701,149	9.61%
TOTAL OPERATING INCOME	18,756,088	20,313,653	1,557,565	8.30%
OPERATING EXPENSES				
COMPENSATION & BENEFITS	7,733,316	8,527,793	794,477	10.27%
TRAVEL & CONFERENCES	196,707	164,571	-32,136	-16.34%
ASSOCIATION DUES	85,537	117,778	32,241	37.69%
OFFICE OCCUPANCY	1,245,537	1,259,283	13,746	1.10%
OFFICE OPERATIONS	1,822,550	1,919,242	96,692	5.31%
EDUCATIONAL/PROMOTIONAL	811,602	833,377	21,775	2.68%
LOAN SERVICING	462,611	520,220	57,609	12.45%
PROFESSIONAL SERVICES	2,525,023	2,511,260	-13,763	-0.55%
NCUA OPERATING FEE	78,139	106,187	28,048	35.90%
OTHER EXPENSES	495,102	397,875	-97,227	-19.64%
TOTAL OPERATING EXPENSES	15,456,124	16,357,587	901,463	5.83%
NON-OPERATING INCOME				
	478,273	102,961	-375,312	-78.47%
NET INCOME				
	3,778,237	4,059,027	280,790	7.43%

Balance Sheet

	2016	2017	DIFFERENCE	%CHANGE
ASSETS				
LOANS	172,312,580	214,468,897	42,156,317	24.47%
CASH ON HAND	3,696,457	4,326,982	630,525	17.06%
INVESTMENTS	262,589,942	250,304,691	-12,285,251	-4.68%
LAND & BUILDINGS	17,756,688	17,205,636	-551,052	-3.10%
OTHER FIXED ASSETS	790,206	927,072	136,866	17.32%
ALL OTHER ASSETS	7,170,340	8,425,902	1,255,562	17.51%
TOTAL ASSETS	464,316,212	495,659,179	31,342,966	6.75%
LIABILITIES				
NOTES PAYABLE	7,839,035	7,634,498	-204,537	-2.61%
DIVIDENDS PAYABLE	81,502	74,098	-7,404	-9.08%
OTHER LIABILITIES	5,708,390	5,071,691	-636,699	-11.15%
TOTAL LIABILITIES	13,628,927	12,780,287	-848,640	-6.23%
SHARES				
REGULAR SHARES	182,432,488	204,243,008	21,810,520	11.96%
SHARE DRAFTS	126,108,077	136,205,515	10,097,438	8.01%
IRAS	13,103,873	13,438,639	334,766	2.55%
CERTIFICATES	33,697,910	31,012,736	-2,685,174	-7.97%
MONEY MARKET	50,661,574	48,944,268	-1,717,306	-3.39%
OTHER SHARES	1,269	3,453	2,184	172.10%
TOTAL SHARES	406,005,191	433,847,619	27,842,428	6.86%
EQUITY				
REGULAR RESERVES & UNDIVIDED EARNINGS	44,927,985	48,987,013	4,059,028	9.03%
UNREALIZED GAIN (LOSS) ON INVESTMENTS	-245,892	44,260	290,152	-118.00%
TOTAL EQUITY	44,682,093	49,031,273	4,349,180	9.73%
TOTAL LIABILITIES, SHARES & EQUITY				
	464,316,212	495,659,179	31,342,966	6.75%



MISSION: To be a force for good in banking, in the communities we serve and in the lives of our members.

VISION: By living our values, we will redefine the role financial institutions play in building thriving, sustainable communities.



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