

# Minnesota Building Trades Federal Credit Union



**2006**

ANNUAL REPORT



# 2006 at a glance

## Chairman's Report

In addition to establishing policies for your Credit Union and monitoring its performance, the Board of Directors is devoted to expanding awareness of the Credit Union among our members and potential members. We can judge our success by the growth in membership and growth in the number of products and services that our members utilize. In both respects, 2006 was a strong year.

Our membership grew nearly 4% and at the end of the year, members held over 35,000 share and loan products, a 3% increase from the end of 2005.

The Credit Union's staff continues to reach out to the unions we serve, primarily by talking with apprentice groups about the benefits of Credit Union membership. And we know how important it is to continually bring this message to the Building Trades community. Many people do not yet understand what a credit union is, or how membership can help them in their financial lives.

Although we are closely aligned with labor unions in the building and construction trades, and we focus on serving union members and their families, the Credit Union is an independent entity. No union dues are utilized by the Credit Union to fund its operations. Rather, the net earnings generated by our members' use of financial services are what allow the Credit Union to bring quality financial products and services to its membership.

Of course it is our members themselves who are best able to spread the word about the benefits of credit union membership. As all union members know, we all gain when our membership ranks expand. If you have benefited from our services, please help us to spread the word.

As we look back on another fruitful year, it's important that we recognize those individuals who have helped make it possible. In this regard, I'd like to thank Jerry Pence for his service on the Credit Union's Supervisory Committee for over twenty years. Jerry announced his retirement from the committee in 2006. The dedication of volunteers such as Jerry is essential to the growth and development of the Credit Union, and we couldn't thrive without them.

Respectfully submitted,

Peter Budge  
Chairman of the Board of Directors

## President's Report

Your credit union had another successful year in 2006. Although we function as a not-for-profit cooperative, it is essential that we generate strong earnings. Not only do those earnings build our capital, as required by federal regulations, but they provide the credit union with the resources which enable us to expand our products and services for our members.

In 2006, our assets grew, our capital was strengthened, and our earnings were solid. But the success of any credit union should be judged not just by its strength and stability, but also by how well the credit union has improved the financial strength and stability of its members.

In 2006, we originated over 1500 new loans, providing essential credit to our members. We've also helped our members build for the future as demonstrated by the increase in member shares on deposit with the Credit Union.

In addition to helping our members financially, we remodeled two of our branches to serve you better. We completed a major remodeling of our Shoreview branch to create a modern, attractive, and expanded facility. And we modified our Maple Grove branch to provide room for our Mortgage department and our new Business Services department.

As more members begin to utilize electronic banking services, it is important that your credit union remain at the forefront of these technologies. In 2006, we improved our



Maple Grove



Shoreview

consumer Bill Pay service, introduced a new Business Bill Pay service, and added a new layer of security to our Online Banking service. In addition, we've expanded our website with more information for consumers and businesses to help them manage their finances more effectively. And we introduced ACH origination services to better enable us to move our members' funds electronically.

Most importantly, we introduced an expanded line of products and services for our small business members. Many of our members own or manage small businesses. In 2006, we greatly expanded our offering of business checking accounts, business loans, and other business services.

To ensure that we are always investing our members' capital efficiently, we made the decision to close our Minneapolis office at the end of 2006. This office simply was not used by enough members to make it sensible to continue operating. The absence of free parking and the lack of a drive-through facility resulted in this office being underutilized.

We will always be focused on bringing more services and better value to our members through quality financial services. Please let us know how well we're doing in serving you.

Respectfully submitted,

Leesa Husak  
President/CEO



## Controller's Report

The economy remained strong throughout 2006, which kept the unemployment rate low. As a result, the Federal Reserve continued to raise interest rates throughout the year to prevent the strong economy from generating excessive inflation—a force which can quickly erode the purchasing power of the wages our members work so hard to earn.

We're always happy to see a strong and vibrant economy. However, this can result in slower growth for credit unions. As interest rates rise, members become reluctant to seek new loans. And when the financial markets soar to new heights, as they did in 2006, members tend to keep more of their savings in stocks and mutual funds, making it difficult for credit unions to attract share deposits. Therefore, shares on deposit grew just 1.0% during the year, compared with the 11.6% growth experienced in 2005.

Total assets increased by just 2.0%, significantly less than the prior year's growth. However, this modest growth kept the Credit Union on a positive path, and we ended the year with nearly \$99 million in assets. Although we provided \$32 million in new loans to our members during the year, loans outstanding declined by 6.1% as repayments outpaced new lending. This put downward pressure on our earnings and it may indicate that our members were reluctant to take on additional debt—but there's nothing wrong with that.

Net interest income grew by 4.1%, and non-interest income declined 3.4%. Net operating expense remained at 2.4% of average assets. As a result, net income for 2006 was \$1.1 million, a 5.3% increase from 2005.

Our performance led to a return on assets of 1.1% in 2006, which matched our return in the prior year. Our strong earnings, combined with modest asset growth, resulted in a strengthening of our capital ratio to 10.7%, from 9.8% in 2005.

Despite the rising interest rate environment, which can put pressure on members with adjustable-rate loans, loan delinquencies remained low and net loan charge-offs were just 0.25% of average loans. As always, we work with members who are experiencing short-term cash flow problems to achieve the best result for both the member and the Credit Union.

We will continue to manage the Credit Union in a manner which provides our members with attractive interest rates while maintaining the financial soundness of the organization.

Respectfully submitted,

Maureen Daehn  
Controller/VP Finance





**Inver Grove Heights**

## Supervisory Committee's Report

The Supervisory Committee is responsible for verifying the accounts of members, meeting the audit requirements specified in NCUA regulations, and making recommendations to the Board of Directors for improving operations within the Credit Union.

In that respect, the Committee engaged the CPA firm Wipfli LLP to conduct an independent audit. Wipfli LLP issued an unqualified opinion on the Credit Union's financial statements for the fiscal years ended June 30, 2005 and 2006. A copy of the audited financial statements is available from the Credit Union upon request.

In addition, the Supervisory Committee performed numerous reviews of Credit Union procedures and internal controls throughout the year. This included reviewing general ledger account reconciliations, conducting surprise cash counts, reviewing new loan files, verifying charged-off loans, reviewing loan reports for unusual activity, and other procedures as deemed necessary. The Committee believes that controls are adequate, member accounts are accurate, and the Credit Union is being managed in a safe and sound manner.

Respectfully submitted,

Frank Vento  
Chair, Supervisory Committee



## Volunteers and Management Team

### BOARD OF DIRECTORS

Peter Budge, Chairman  
Allan Gibney, Vice Chairman  
Kenneth Barrett, Financial Secretary  
Tim Bruhjell, Recording Secretary  
Robert Hansen  
Mike Hawthorne  
Jamie Hermansen  
Dale Nyberg  
Dan Soltis

### SUPERVISORY COMMITTEE

Frank Vento, Chairman  
Jack Hettwer  
Russ Scherber  
Stan Theis  
Devin Hall

### MANAGEMENT

Leesa Husak, President & CEO  
Maureen Daehn, Vice President of Finance  
Bill Daehn, Vice President of Business Development  
Barb Klein, Shoreview Branch Manager  
Vickie Schroer, Inver Grove Heights Branch Manager  
Kim Schroeder, Maple Grove Branch Manager



**Inver Grove Heights**



**Shoreview**

# Financial Report

Years ended December 31, 2006 and December 31, 2005 • Unaudited

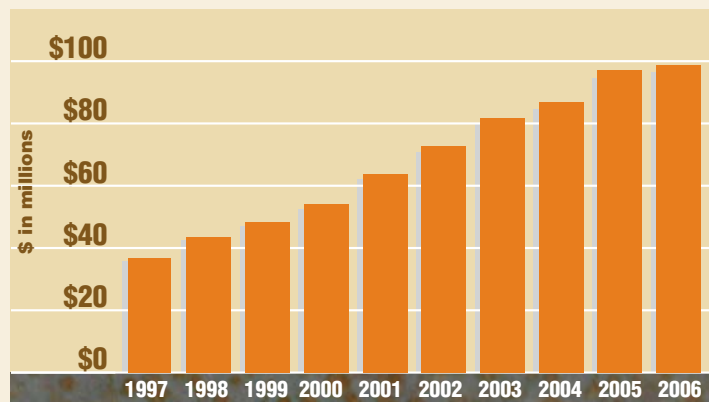
## Statement of Condition at December 31

	2006	2005
<b>Assets</b>		
Cash & cash equivalents	\$ 5,629,109	\$ 4,167,287
Investments	16,858,274	13,620,020
Loans, net	71,631,314	76,292,883
Other assets	4,845,154	2,941,893
Total assets	<u>\$98,963,851</u>	<u>\$97,022,083</u>
<b>Liabilities and Members' Equity</b>		
Members' shares	\$88,303,420	\$87,462,555
Dividends payable & other liabilities	101,938	77,663
Total equity	10,558,493	9,481,865
Total liabilities and members' equity	<u>\$98,963,851</u>	<u>\$97,022,083</u>

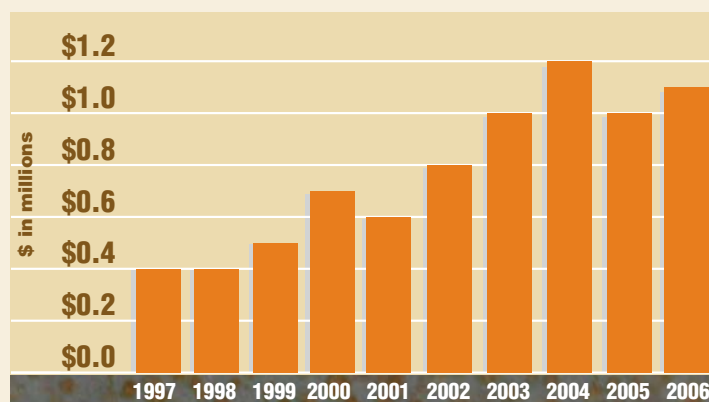
## Statement of Income for the Year Ended December 31

	2006	2005
<b>Interest Income</b>		
Interest income on loans	\$ 4,494,358	\$ 4,292,903
Interest income on investments	748,807	391,357
Total interest income	<u>\$ 5,243,165</u>	<u>\$ 4,684,260</u>
<b>Dividend Expense</b>		
Net interest income	<u>1,710,781</u>	<u>1,293,319</u>
	<u>\$ 3,532,384</u>	<u>\$ 3,390,941</u>
<b>Provision for Loan Losses</b>		
Net interest income after loan loss provision	<u>\$ 187,800</u>	<u>\$ 195,000</u>
	<u>\$ 3,344,584</u>	<u>\$ 3,195,941</u>
<b>Noninterest Income</b>		
Fee income	\$ 461,834	\$ 484,716
Other income	457,111	466,863
Total noninterest income	<u>\$ 918,945</u>	<u>\$ 951,579</u>
<b>Noninterest Expense</b>		
Salaries and benefits	\$ 1,376,702	\$ 1,328,890
Other operating expenses	1,810,198	1,795,932
Total noninterest expense	<u>\$ 3,186,900</u>	<u>\$ 3,124,822</u>
Net income	<u>\$ 1,076,629</u>	<u>\$ 1,022,698</u>

## Total Assets (at December 31)



## Net Income



Key Statistics	2006	2005
Return on Assets	1.11%	1.11%
Net Capital/Assets	10.67%	9.77%
Net Operating Exp/Average Assets	2.39%	2.40%
Loans/Shares	81.42%	87.53%
Net Charge-offs/Average Loans	0.25%	0.19%
Loans Delinquent 60+ Days/Loans	0.25%	0.20%
Allowance/Ending Loans	0.37%	0.34%
Share Growth	0.96%	11.59%
Loan Growth	-6.08%	13.76%
Asset Growth	2.00%	11.59%
Number of Members	15,516	14,928



# About Minnesota Building Trades Federal Credit Union

Minnesota Building Trades Federal Credit Union (MBTFCU) is a financial cooperative serving over 15,500 brothers and sisters of the Building and Construction Trades and their families. Its roots go back to the mid-1950's, and the Credit Union took its present form in 1992 when St. Paul Building Trades FCU and Minneapolis Building Trades FCU merged to become Minnesota Building Trades FCU.

MBTFCU's mission is to be our members' first choice for financial solutions. All else is secondary.

When you join MBTFCU by opening a \$25 savings account, you become a member of the Credit Union and are then eligible for any product or service the Credit Union offers. Every member has one vote, regardless of how much he or she has on deposit.

To succeed, a credit union needs both savers and borrowers. Some members put their money in a variety of savings accounts and that money, in turn, is lent to borrowers. After operating expenses and reserve requirements are met, income is returned to all members in the form of divi-

dends and comprehensive financial services. All members profit—individually and collectively.

MBTFCU is governed by a Board of Directors that establishes and reviews policy. The Directors are Credit Union members who are elected by the membership and serve without pay.

The Supervisory Committee is responsible for ensuring the safety and soundness of the Credit Union by establishing and monitoring audit procedures. They also act as the liaison between the members and the Board of Directors. Committee members also serve without pay.

As a federally-chartered credit union, MBTFCU was organized under regulations that are established and enforced by the National Credit Union Administration (NCUA), an agency of the U.S. Government. The NCUA insures each member's accounts to at least \$100,000. Members' accounts are further insured up to \$350,000 by a private insurer.



We do business in accordance with Federal Fair Lending Laws

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## SHOREVIEW

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Minnesota  
Building Trades  
Federal Credit Union