



Financial Literacy Education

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

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 1957 when the Cement Masons Local 560 Credit Union was founded. Its name was changed to Building Trades Credit Union in 1959, and St. Paul Building Trades Federal Credit Union in 1991. The Credit Union took its present form in 1992 when St. Paul Building Trades FCU and Minneapolis Building Trades FCU merged to become Twin Cities Building Trades FCU, before changing its name to Minnesota Building Trades Federal Credit Union in 1995. 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 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 dividends 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 appointed by the Board, and 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.



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We do business in accordance with Federal Fair Lending Laws



2007

Annual Report

2007 at a glance



Remote account access

Chairman's Report

For some of our members, 2007 presented financial challenges. Layoffs and reduced hours have benched an unusual number of union workers, leaving some of them struggling to meet their financial commitments. In response, your Credit Union is offering solutions and assistance to members facing financial hardship.

This year, we introduced a Support Services program that offers re-negotiation of payment terms, penalty-free payments from Share Certificate accounts, low-rate share secured loans, help in repairing damaged credit, and debt consolidation loans. Our members have the opportunity to meet one-on-one with a Branch Manager to work out a plan to help endure a short-term financial crunch. The results can ease the tension that comes with financial difficulties. The program has been well received by the Union Locals, who have distributed information we've provided to inform their members of this important service.

Some believe 2008 will be another difficult year for the economy. If so, MBTFCU will continue to reach out to our members to offer assistance.

The news media has kept a spotlight on the difficulties in the mortgage market caused by overly aggressive practices by some lenders and mortgage brokers. Our Credit Union has minimized these problems by taking a more sensible approach to mortgage lending. Our goal has always been to help our members select an appropriate mortgage for their situation and budget, rather than pushing them into a mortgage they cannot afford or understand. This member-focused approach is best for both the member and the Credit Union in the long run.

Through these and other programs, MBTFCU is doing its part to keep the building and construction trades community strong. As an organization, our Credit Union remains strong thanks to the hard work of its staff, management and volunteers. This year I would like to thank Dale Nyberg, retired member of Pipefitters Local 539, who recently retired from our Board of Directors after more than thirty years of volunteer service. Finally, thanks to you, our members, for your continued support in choosing MBTFCU as your trusted financial partner.

Respectfully submitted,

Peter Budge
Chairman of the Board of Directors

President's Report

The year 2007 brought continued growth for our Credit Union, as well as continued change. In the past year we've maintained our focus on serving and supporting our members by introducing these new products and services:

- Zero percent textbook loans for union apprentices
- PIN based Visa® Check and Cash Card
- CU Rewards on our Visa Gold Credit Card
- Refunds of ATM charges
- Online check images
- A redesigned internet website
- Enhanced Online Banking and Bill Pay security with multi-factor authentication
- A new branch in Eden Prairie

As technology and our industry continue to move forward, MBTFCU will strive to remain at the forefront of product and service delivery. We'll continue to be a leader among financial institutions, with these new products and services currently under development:

- Upgraded Business Bill Pay site with expanded features and enhanced security
- Visa Platinum Business Card
- Online Banking seminars and expanded financial literacy training opportunities for members and potential members
- A dedicated website optimized for wireless devices like internet-enabled phones and other portable devices

Our motivation is not to change just for the sake of change, but rather to introduce better, more efficient ways to serve our members. Whether it's to help our members save money on their monthly payments, allow easier access to their account information, or learn good financial management skills, we are dedicated to providing the right tools to meet the changing needs of our members.

We look forward to meeting and exceeding your expectations in the coming years.

Respectfully Submitted,

Leesa Husak
President/CEO

PIN Based Visa Check and Cash Card



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

Financial Report

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

Statement of Condition at December 31

	2006	2005
Assets		
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>

Liabilities and Members' Equity

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
Interest Income		
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>

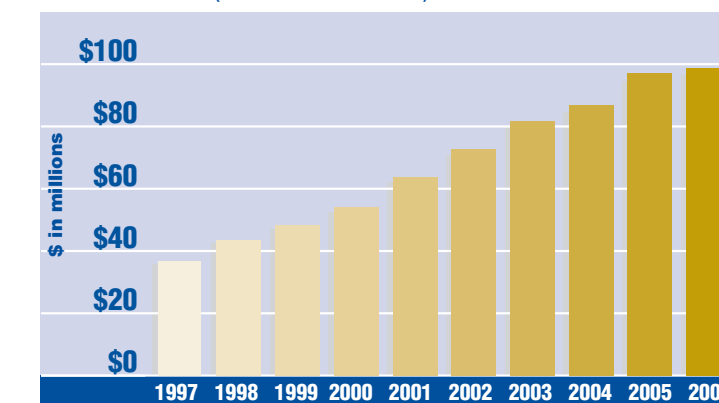
Dividend Expense	1,710,781	1,293,319
Net interest income	<u>\$ 3,532,384</u>	<u>\$ 3,390,941</u>

Provision for Loan Losses	\$ 187,800	\$ 195,000
Net interest income after loan loss provision	<u>\$ 3,344,584</u>	<u>\$ 3,195,941</u>

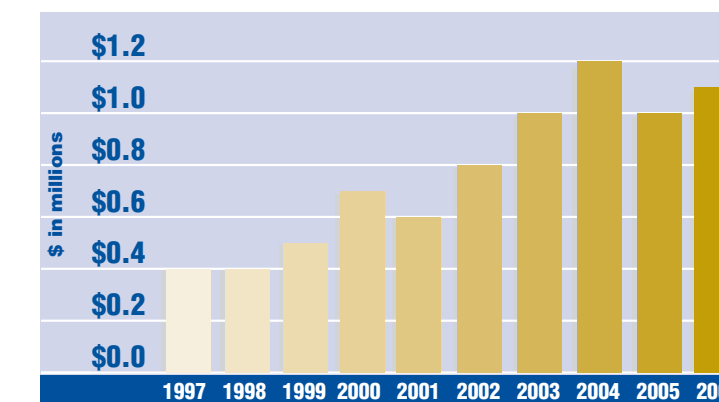
Noninterest Income		
Fee income	\$ 461,834	\$ 484,716
Other income	457,111	466,863
Total noninterest income	<u>\$ 918,945</u>	<u>\$ 951,579</u>

Noninterest Expense		
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