

BOARD CHAIRPERSON STEVE'S REPORT

"People First, Not Profit"...is our commitment! The board of directors and the supervisory committee are knowledgeable and dedicated to providing our members the best service possible while maintaining the financial health and stability of the credit union. Our hardworking staff is well-trained, motivated and focused on the mission and goals of our credit union.

PRESIDENT / CEO NICK'S REPORT

Greetings MVFCU members. The year 2007 was another outstanding one for your credit union. We're off to a great start in 2008. We tremendously appreciate your business loyalty and the wide & deep utilization of our growing array of products, services and delivery channels. All of us are whole-heartedly committed to our vision, mission, goals & objectives and strategy & tactics that will propel us upward toward "Getting to the Next Level." We're doing well.

The year 2007 was a tumultuous one on the economic front. It is likely that we entered a recession during the second half of 2007 and into 2008. The "sub-prime" mortgage lending fallout is affecting everyone from Wall Street to Main Street. Investment bank Bear Sterns to mortgage lender Countrywide and others imploded. Foreclosures and bankruptcy filings across the country, state and locally are measurably higher. The federal and state budget deficits and debt load continue to increase. Home equity and investment portfolio values have declined. It is likely businesses will be very cautious on the spending front to include payrolls. Together, we've weathered many economic cycles and as always we're here to help.

By year end 2007 we again reached all time record highs in total assets (\$52.2 million), loans (\$40.4 million), deposits (\$47.2 million), gross income (\$3.7 million), dividends paid on savings (\$1.2 million), member owned capital (\$4.8 million = 9.09%) and net income (\$402 thousand which is needed to make sure capital keeps pace with asset growth). Our net operating expenses as a percentage of average assets continues to decline which is a measure of operational efficiency (was 4.56% in 2000 and now 3.41% in 2007). Our yield on average loans (interest charged) continues to be less than the national (peer) average (we charge less; great for members) and our cost of funds

(dividends paid) is higher than peer (we pay more; great for members). On the fee side, we netted .50% of average assets vs. peer of 1.06%, so we fee considerably less (great for members). Over the past six years, deposits have grown an average of 9.1%, loans 12.2%, and equity 9.1% while net operating expenses averaged a relatively low 3.36% and ROA a solid .75%. In 2007, we also completed the \$600K addition and renovation at our 1640 Adams Street location built in 1978.

The only operational down side from our otherwise continued upward positive trends is that our loan delinquency increased 1.07% at 12/31/06 to 1.27% at 12/31/07 which is slightly higher than the national average of 1.15%. Our net charge offs increased from .13% at 12/31/06 to .16% at 12/31/07 though still considerably less than the national average of .48%.

In 2007, 698 new accounts were opened. There are 4,300 checking accounts with 600,000 checks written / 3,500 Visa debit cards outstanding and used 525,000 times / 1,700 Visa credit cards outstanding and used 67,000 times / 2,400 members use free online banking and logged in nearly 125,000 times / members called ART 45,000 times. The average deposit balance is \$5,555 and the average loan balance is \$8,187. Here, members hold 17,000 savings and 6,500 loan accounts.

BOARD TREASURER GEORGE'S REPORT

MVFCU remains on a steady course and growing. Each month and often in the interim, management and the board treasurer convene for the Asset-Liability Committee meeting. Our focus is diverse and includes closely controlling the net interest rate margin, budgeting, analyzing trends, measuring and forecasting.

SUPERVISORY COMMITTEE BILL'S REPORT

The S/C volunteers evaluate management decisions, finances, internal controls and operations in cooperation with the federal agency National Credit Union Administration (NCUA), CPAs Eide Bailly, and our two internal auditors. In 2007, the S/C reviewed 140 loan files: randomly selected, unsecured, CUDL, vehicle, RV, first mortgage, home equity, small business, employee, board and S/C loans. Additionally, the S/C reviews all new and closed account documents including returned statements and verification correspondence. Our confidential Mankato PO Box is 4126.



Your Full Service
Banking Alternative
Since 1934

You're #1

**Members Are
The Owners
&
People Are Worth
More Than Money**

*Serving folks who live, work or attend
school in Blue Earth, Nicollet and
Le Sueur Counties, Businesses within
and
Immediate Family Members
Wherever They Live*

**73rd
ANNUAL MEETING
APRIL 22, 2008**

MVFCU VISION STATEMENT



EARNING MEMBER LOYALTY AND
COMMUNITY APPRECIATION



MVFCU MISSION STATEMENT

TO EXCEED THE EXPECTATIONS OF OUR MEMBER-OWNERS AND BECOME THEIR MOST VALUED AND TRUSTED FINANCIAL INSTITUTION, ALWAYS IN KEEPING WITH THE COOPERATIVE PRINCIPLES.

BUSINESS MEETING AGENDA

6:30 PM Call to Order	Steve Erdman
Proof of Notice of Meeting	Connie Gullixson
Declaration of a Quorum	Connie Gullixson
2007 Minutes	Connie Gullixson
Closing of Elections & Selection of Ballot Judges	Steve Erdman
Report of Nominating Committee	George Patchin
Additions or Changes to the Agenda	Steve Erdman
Report of Directors	Steve Erdman
Report of President	Nick Meyer
Employee Introductions	Nick Meyer
Report of Treasurer	George Patchin
Report of Supervisory Committee	Bill Gray
Unfinished Business:	Member Attendees
New Business:	
Scholarship Presentation	Eddie Lange
Door Prize Drawings	
Board Election Results	Steve Erdman
Introduction of 2008 Board of Directors	Steve Erdman
Adjournment	

STATEMENT OF FINANCIAL CONDITION YEAR ENDING 12/31/07

INCOME STATEMENT

	12/31/07	12/31/06
Interest on loans	\$2,712,911	\$2,325,861
Income from investments	439,665	433,993
Other operating income	526,643	486,320
TOTAL GROSS INCOME	\$3,679,219	\$3,246,174
Employee compensation & benefits	941,429	884,454
Travel & conference expense	31,491	26,535
Association dues	37,637	36,042
Office occupancy expense	108,814	94,283
Office operations expense	431,692	382,360
Education & promotion expense	62,882	55,201
Loan servicing expense	203,971	184,273
Professional & outside services	142,470	142,720
Provision for loan losses	111,396	98,497
Member insurance	7,431	6,567
NCUA Operating fees	9,601	8,629
Interest on borrowed money	25	290
Annual meeting expense	1,185	1,361
Miscellaneous operating expense	2,519	5,429
TOTAL OPERATING EXPENSES	\$2,092,543	\$1,926,641
Dividends Paid to Members	1,201,751	973,679
Gain (Loss) on Sale of Assets	(644)	(1,181)
Other Non-Operating Income	17,519	17,010
NET INCOME (LOSS)	\$401,799	\$361,683

BOARD MEMBERS

Steve Erdman, Chair
Jayne Pietsch, Vice Chair
Connie Gullixson, Secretary
George Patchin, Treasurer
Craig Lindsay
Mike Pulis
Mike Haeuser

MANAGEMENT

Nick Meyer, President / CEO
Eddie Lange, VP - Development
Trent Talle, Loan Dept. Manager
Dean Wellner, Real Estate Manager
Trinette Risting, MSA (Teller) Manager
Sharon Radke, Systems & Operations Manager
Mike Thompson - Downtown Branch Manager



BALANCE SHEET

	12/31/07	12/31/06
Assets:		
*Loans	\$40,386,033	\$36,728,391
Allowance for loan loss	(233,475)	(185,507)
Short-term Liquidity	1,571,518	1,182,301
Mid States Corporate investments	5,201,200	5,300,700
Other investments (mainly CDs)	3,029,860	4,457,139
Building & land	1,107,863	479,740
Fixed assets	130,595	120,512
Other assets	602,957	543,349
NCUSIF deposit	446,769	394,270
TOTAL ASSETS	\$52,243,320	\$49,020,895
Liabilities and Capital		
*Member share deposits	47,202,915	44,373,788
Accounts payable	109,935	188,672
Dividends payable	177,297	107,061
*Member capital	4,753,173	4,351,374
TOTAL LIAB. & CAPITAL	\$52,243,320	\$49,020,895

STATEMENT OF EQUITY/LOANS/SHARES

	12/31/07	12/31/06
Beginning Capital	\$3,474,429	\$3,112,747
Regular Reserve	876,945	876,944
Net Income	401,799	361,683
*TOTAL CAPITAL	\$4,753,173	\$4,351,374
Vehicle loans	18,140,052	15,400,469
Consumer loans	3,679,488	3,401,875
Real estate loans	16,010,337	15,555,234
Unsecured loans	2,556,156	2,370,813
*TOTAL LOANS	\$40,386,033	\$36,728,391
Primary shares	7,780,463	7,909,346
Money market	17,847,978	15,770,020
CDs	9,438,199	9,160,331
Checking	9,548,413	9,069,838
IRAs	2,587,862	2,464,253
*TOTAL SHARES	\$47,202,915	\$44,373,788

	12/31/07	12/31/06
NET LOAN CHARGE-OFFS	\$63,428	\$45,333

**THANK YOU
FOR ANOTHER GREAT YEAR !!!**