



Your Financial Institution *for Life*



2007 Annual Report

www.rcu.org

Welcome to the 44th RCU Annual Meeting

RCU has enjoyed another successful financial year. In this report we will be highlighting our accomplishments for 2007 and looking at the future of our institution and the goals for 2008. We'd like to extend a warm welcome to you and appreciate any feedback you would like to share with us.

Chairperson / CEO Report

This past year was another eventful year for RCU. The Board of Directors, Management Team, and Employees are proud of the number of major accomplishments we had in 2007.

- We converted our New Richmond Home Loan Center into a full-service branch.
- We developed a plan to build a full-service office in Menomonie, which will open in the fourth quarter of 2008.
- We are very proud of the fact that we added our eleventh school site credit union at Northstar Middle School. Since we began the school site program in 1993, our students have made over 54,000 deposits amounting to over \$550,000 in their savings accounts. The purpose of our school site credit union program is to teach our children how to develop good saving skills for their future.
- We were the number one credit union lender in Wisconsin for WHEDA loans for first-time home buyers.
- We had a record number of participants at the RCU Charity Classic. Over 700 men, women, and children contributed \$9,800 to Big Brothers Big Sisters of Northwestern Wisconsin.
- Our employees and the RCU Volunteer group continue to be active community members by volunteering their time and contributing their dollars to numerous worthwhile groups and activities.
- RCU Employees contributed over 10,000 hours to numerous non-profit organizations in the communities where they live and work.
- The RCU Volunteers, made up of 400 RCU Members, contributed over 34,500 hours to their communities.
- We held over 60 educational seminars for our Members ranging in topics from Checkbook Balancing, to Learning to Use RCU's eServices to Identity Theft.
- We had our Members complete a Member Survey in order to tell us how we are doing. Ninety-eight percent of our Members with a checking account are either "very satisfied" or "satisfied" with our service level.
- We increased our Membership by 6,117 for a total of 111,929 Members who enjoy our products, locations, and service level.
- Today, we are proud to say that RCU Members with an RCU Home Loan have not been impacted by the sub-prime lending issues that people across the country are facing. RCU has not made, and will not make, sub-prime real estate loans. Consequently, your credit union remains strong and well capitalized.

RCU's Statement of Commitment to our Members is consistent with our credit union principles of "Not for Profit, Not for Charity, But for Service," and our philosophy of "People Helping People." This statement represents the good business practices that ensure the financial strength of our credit union on behalf of our Members.

RCU will continue to strive to offer services designed to improve the economic and social well-being of all Members from all socio-economic backgrounds and to return financial value to all those who participate in our Member-owned financial cooperative.

Respectfully submitted,



John C. Sackett
Chairperson



Charles M. Grosskaus
CEO

Minutes of the 43rd Annual Meeting • April 25, 2007, 4:30 pm

The 43rd Annual Meeting of RCU was called to order by Chairperson John Sackett.

Directors Present: John Sackett, Susan Haugen, Richard Greene, Nancy Beltz, Douglas Olson, Jennifer McDonough, and Bill Blackburn

Directors Absent: None

CEO Present: Charles Grossklaus

Guests: J. Drew Ryberg - Legal Counsel; RCU's Management Team and Employees

Chairperson Sackett introduced the Members of the Board of Directors.

Approximately 35 Members were present.

Minutes of the 42nd Annual Meeting were published in the Annual Report. There were no corrections or deletions.

John C. Sackett, Chairperson of the Board of Directors, gave the Chairperson's report.

Douglas A. Olson, Treasurer of the Board of Directors, gave the Treasurer's report.

A copy of the Supervisory Committee report was published in the Annual Report.

John C. Sackett, Chairperson, explained the procedures of the election of Directors.

A motion was made by Dr. Lee Hansen and seconded by Susan Haugen to cast a unanimous ballot for Richard Greene, Jennifer McDonough, and Douglas Olson to fill three expired terms.

Richard Greene, Jennifer McDonough, and Douglas Olson were elected to three-year terms.

Charles Grossklaus, Chief Executive Officer of RCU, gave the Chief Executive Officer's report.

Unfinished Business: None

Communications: None

New Business: None

Motion was made and seconded to adjourn.

Refreshments were served for all those present.

Respectfully submitted,



Jennifer A. McDonough
Secretary

44th RCU Annual Meeting Agenda
April 29, 2008

▶ Call to Order

▶ Introduction: Board of Directors and Officers

▶ Introduction: Special Guests

▶ 43rd Annual Meeting Minutes

▶ Chairperson's Report

▶ Treasurer's Report

Audit Committee Report

The Chairperson of the Board of Directors appoints three Board Members and two at-large Members to the Audit Committee. In 2007, the committee was comprised of Nancy Beltz, Board Member, as Chairperson; John Sackett, Chairperson of the Board; Thomas Gillett, Board Member; at-large Member, David Meier; and at-large Member, Dave Olinger.

The Audit Committee of Royal Credit Union must be an informed and effective overseer of the financial reporting process and the internal controls of the Credit Union. Specifically, this means financial disclosures are accurate and reliable, RCU is in compliance with laws and regulations, and RCU operates in an ethical environment.

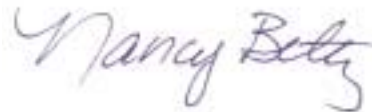
Throughout the year, the Audit Committee utilizes a number of resources to fulfill its responsibilities, including an Internal Audit function. The Internal Audit function, which performs operational and compliance audits of RCU activities and tests and reviews of the overall systems of internal control, reports directly to the Audit Committee.

A December 31, 2007, financial statement audit was performed by McGladrey & Pullen, LLP. The

external audit's primary concern is the attestation of the information contained in the financial statements of RCU.

The state regulator for Wisconsin Credit Unions is the Department of Financial Institutions. An examination conducted by that office for the period ending September 30, 2006, focused on RCU's safety and soundness.

Results of all examinations, audits, and reviews are presented to Management, the Audit Committee, and/or the Board of Directors of RCU. These reports provide RCU with information to make decisions that benefit our Members. All reports indicate that Royal Credit Union's financial condition remains strong and that the internal control structure is in place to protect the safety of our Members' assets.



Nancy M. Beltz
Director



2008 RCU Board of Directors and CEO

- | | |
|-------------------------------------|----------------------------------|
| Standing L – R: | Seated L – R: |
| William R. Blackburn | Jennifer A. McDonough, Secretary |
| John C. Sackett, Chairperson | Nancy M. Beltz |
| Charles M. Grossklaus, CEO | |
| Richard M. Greene, Vice Chairperson | |
| Thomas J. Gillett | |
| Douglas A. Olson, Treasurer | |



The 2006 and 2007 financial statements were audited by McGladrey & Pullen, LLP, who expressed an unqualified opinion on those financial statements. Condensed financial information from those financial statements is shown below. A copy of the audited financial statements is available upon request.

Statement of Financial Condition (in thousands of dollars)

	2006	2007
Cash and Equivalents	\$31,377	\$16,954
Investments	8,933	16,693
Personal Loans	240,350	259,115
Real Estate Loans	266,449	264,384
Business Loans	205,355	231,825
Allowance for Loan Loss	(7,421)	(8,395)
NCUA Insurance Fund Deposit	5,585	6,050
Other Assets	44,306	45,736
TOTAL ASSETS	\$794,934	\$832,362
Short Term Borrowings	\$63,000	\$46,000
Other Liabilities	6,699	7,260
Shares	143,241	139,302
Checking	116,739	117,602
Money Market	141,743	167,039
Certificates	206,212	228,684
IRA	36,433	38,038
Regular Reserve	74,167	81,046
Other Reserves	6,700	7,391
TOTAL LIABILITIES AND MEMBER EQUITY	\$794,934	\$832,362

Statement of Income (in thousands of dollars)

	2006	2007
Interest Income	\$51,841	\$57,298
Interest Expense	(20,821)	(24,036)
Net Interest Income	31,020	33,262
Other Income	15,368	18,036
Income before Operating Expenses	46,388	51,298
Provision for Loan Losses	(4,437)	(4,508)
Salaries and Benefits	(22,228)	(21,881)
Other Expenses	(16,152)	(17,339)
Total Expenses	(42,817)	(43,728)
NET INCOME	\$3,571	\$7,570

2007 Rankings

- #1 Home Loan Lender in Eau Claire and Chippewa Counties.
- #1 in the state out of all Credit Unions for WHEDA loans originated and closed.
- Ranked nationally in the top 10 Credit Unions in Member Business Loans.
- Dan Anderson, Financial Consultant, was the highest producing representative in the region for FNIC, and he was fifth in the nation. There are 700 representatives for banks and credit unions in the nation in a similar capacity.

2007 Volunteer Hours

- Over 34,500 hours have been given to the community by the RCU Volunteer group in 2007.
- Over 10,000 hours were given by RCU Employees to local organizations and charities.
- Employees were active in community initiatives such as Go Red for Women, United Way Day of Caring, and the Highway Cleanup program.
- Record numbers participated in the RCU Charity Classic raising \$9,800 for Big Brothers Big Sister of Northwestern Wisconsin.

2008 Goals

- To continue to research and enhance our technology in order to maintain our reputation of being the premier eService provider.
- To expand our school site program from 11 locations to 13 locations.
- To complete the remodel of the Shopko South Office.
- To promote financial education through presentations.
- To open a full service branch in Menomonie in December 2008.



Our Shopko Office remodeling including our new teller concept began in October, 2007.



Tom Etmund, Downtown Chippewa Falls Branch Manager, conducted a seminar on credit reports at the Women Rock event.



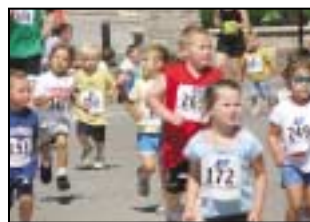
In August we added teller services to our New Richmond Office.



Our 11th school site was opened at Northstar Middle School in Eau Claire in October 2007.



RCU Employees showed their support for the American Heart Association by participating in the Go Red for Women event.



We had a record setting turnout at the 2007 RCU Charity Classic with over 700 participants. To date, RCU has raised over \$51,300 for local charities.



Two ShredAway Days were held in 2007 in an effort to encourage Members and non-Members to protect their identity by shredding confidential documents.



RCU Employees annually participate in the United Way Day of Caring and donated over \$42,300 to United Way in 2007. The most recent Day of Caring project was cleaning at the new Eau Claire Children's Theater.

2007 Annual Report

Eau Claire Offices

RCU Corporate Center
200 Riverfront Terrace
Eau Claire, WI 54703

Golf & 93 Office
4501 Royal Drive
Eau Claire, WI 54701

Birch Street Office
419 North Hastings Place
Eau Claire, WI 54703

Moholt Office
2415 Jodi Drive
Eau Claire, WI 54703

Shopko South Office
1049 West Clairemont Avenue
Eau Claire, WI 54701

Bellinger Street Office
1512 Bellinger Street
Eau Claire, WI 54703

Chippewa Falls Offices

Downtown Office
215 Bay Street
Chippewa Falls, WI 54729

Woodward Avenue Office
1031 Woodward Avenue
Chippewa Falls, WI 54729

Colby Office

204 West Spence Street
Colby, WI 54421

New Richmond Office

228 PaperJack Drive, Suite 7
New Richmond, WI 54017

Rice Lake Office

1421 South Main Street
Rice Lake, WI 54868

Whitehall Office

18567 Scranton Street
Whitehall, WI 54773

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