



*RCU is committed
to provide friendly,
accurate, and prompt
financial services
to our Members.*



2009 Annual Report
www.rcu.org

Welcome to the 46th RCU Annual Meeting

RCU has enjoyed another successful financial year in 2009. As we highlight our accomplishments of the past year, we would also like to focus on our vision statement for 2010:

- RCU will be the financial institution of choice in the markets we serve.
- RCU will be the financial institution for life for our Members.

We'd like to extend a warm welcome to you and appreciate any feedback you would like to share with us.

Doug Olson, Chairperson
Charles Grossklaus, CEO

Chairperson / CEO Report

2009 brought about a year like no other in our 45 year history as your local financial institution. Our work began many years ago by positioning your credit union for future viability by not taking undue risk such as making sub-prime loans or investing in high yield, questionable investments.

The RCU Board of Directors and Management Team worked together to protect your assets in RCU and to ensure that our decisions were sound. We made wise decisions to benefit you, the Member, as well as future Members.

The financial statements reflect a year of strong asset growth combined with strong loan growth, which allowed RCU to add \$5.8 million to our reserves.

Because your Board and Management Team have managed your assets and liabilities at your credit union in a very prudent way and have built our net worth to weather unpredictable storms, we will be able to ride out this recession and, at the same time, help our RCU Members who are in need.

Your credit union enjoyed a very successful year in 2009. Listed below are some of the accomplishments:

- We grew by 7,678 new Members.
- Deposits grew 17.95% because Members moved from riskier investments to the safety and soundness of RCU.
- The economic conditions lead to a large increase in delinquency, bankruptcies, and charge-offs. Charge-offs increased by 33%, but we have turned the corner and it is starting to level off.
- We merged with a credit union in Minnesota and now serve 12 counties in Minnesota with three convenient offices. These new Minnesota counties allow us to serve 3.4 million people.
- We offered remote deposit capture for Business Members.
- We opened an office in Menomonie.
- A UW-River Falls survey found that 96% of RCU Members are satisfied or very satisfied with our service.
- We offered our Members the ability to open new accounts online.
- Finally, your Board and Management team identified opportunities in our marketplace that matched our 2007 Strategic Plan of acquisitions and mergers to grow in order to be a viable organization in the future. Therefore, we applied to the regulators for the purchase of 11 AnchorBank branches in communities in St. Croix, Polk, and Dunn Counties. At the time of this printing, we are still awaiting regulatory approval. This acquisition will build on RCU's reputation of serving people very well in small communities.

In 2010, we will continue to manage your credit union in a prudent manner. We will also continue to fulfill our Vision Statements in 2010:

- RCU will be the financial institution of choice in the markets we serve.
- RCU will be the financial institution for life for our Members.

As we look at where we have been, we believe it has been our commitment to our Members and to our communities that has brought us to where we are today.

Respectfully submitted,



Douglas A. Olson
Chairperson

Charles M. Grossklaus
CEO

Minutes of the 45th Annual Meeting • April 28, 2009, 4:30 pm

The 45th Annual Meeting of RCU was called to order by Chairperson Douglas A. Olson.

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

Directors Absent: None

Guests: Catherine Wahl - Legal Counsel, RCU's Management Team, and RCU's Employees

Chairperson Olson introduced the members of the Board of Directors.

Approximately 51 Members were present.

Minutes of the 44th Annual Meeting were published in the Annual Report. There were no corrections or deletions.

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

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

Nancy M. Beltz, Chairperson of the Audit Committee, gave the report of the Audit Committee, which was published in the Annual Report.

Dr. Lee Hansen, Chairperson of RCU's Nominating Committee, explained the procedures of the election of directors by mail ballot. Ellen Mickelson, representative of the International Association of Administrative Professionals, presented the results of the election to Dr. Hansen who announced the results:

Bill Blackburn with 5,053 votes

John Sackett with 4,776 votes

Debra Johnson with 2,298 votes

Bill Blackburn and John Sackett were elected to three-year terms.

Motion was made and seconded to destroy 2009 ballots after 30 days of the Annual Meeting.

Motion carried.

Charles Grossklaus, Chief Executive Officer of RCU, gave the Chief Executive Officer's report. Questions were asked of Grossklaus following his report.

1. A Member asked if the merger was completed between REAL Financial Credit Union and RCU. Grossklaus reported that the paperwork and approval process for the merger was completed as of December 31, 2008. The core computer systems will be merged on August 2, 2009, which is when all RCU Members will be able to use any RCU branch in Wisconsin and Minnesota.
2. A Member asked if RCU has expanded services to offer to the Members of REAL Financial Credit Union. Grossklaus reported that RCU does bring additional services to the Members in Minnesota.
3. A Member asked about the health of the credit union industry. Grossklaus reported that RCU is well reserved and well capitalized, although there are some credit unions that have been affected by the fall in real estate values. Mr. Grossklaus went on to say that credit unions are pretty well capitalized in the Midwest, but some credit unions on the East and West Coast of the United States have had substantial losses.

UNFINISHED BUSINESS: None

COMMUNICATIONS: None

NEW BUSINESS: None

Motion was made and seconded to adjourn.

Refreshments were served for all those present.

Respectfully submitted,



Thomas Gillett, Secretary

46th RCU Annual Meeting Agenda
April 27, 2010

Call to Order

Introduction: Board of Directors and Officers

Introduction: Special Guests

45th Annual Meeting Minutes

Chairperson's Report

Treasurer's Report

Audit Committee Report

The Board of Directors approves the appointment of two Board Members and three at-large Members to the Audit Committee. In 2009, the committee was comprised of Nancy Beltz, Board Member, as Chairperson; Thomas Gillett, Board Member; at-large Member, David Meier; at-large Member, Dave Olinger; and at-large Member, Dennis Knutson.

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, 2009, financial statement audit was performed by McGladrey & Pullen, LLP. The external audit's primary purpose 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 and the federal regulator is the National Credit Union Administration. An examination conducted jointly by those offices for the period ending June 30, 2009, 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



2009 RCU Board of Directors and CEO

Standing L – R:

William R. Blackburn
John C. Sackett, Treasurer
Charles M. Grossklaus, CEO
Richard M. Greene
Thomas J. Gillett, Vice Chairperson
Douglas A. Olson, Chairperson

Seated L-R:

Jennifer A. McDonough, Secretary
Nancy M. Beltz



The 2008 and 2009 financial statements were audited by McGladrey & Pullen, LLP, who expressed an unqualified opinion on those financial statements. Condensed financial information is shown below. A copy of the audited financial statements is available upon request.

Statement of Financial Condition (in thousands of dollars)

| | 2008 | 2009 |
|--|------------------|--------------------|
| Cash and Equivalents | \$17,594 | \$25,717 |
| Investments | 73,366 | 21,150 |
| Personal Loans | 265,025 | 275,539 |
| Real Estate Loans | 283,189 | 275,800 |
| Business Loans | 308,412 | 400,818 |
| Allowance for Loan Loss | (8,923) | (14,748) |
| NCUA Insurance Fund Deposit | 6,540 | 8,065 |
| Other Assets | 47,119 | 52,204 |
| TOTAL ASSETS | \$992,322 | \$1,044,545 |
| Short Term Borrowings | \$129,365 | \$30,400 |
| Other Liabilities | 6,997 | 15,785 |
| Shares | 144,130 | 168,085 |
| Checking | 119,836 | 149,500 |
| Money Market | 177,823 | 223,460 |
| Certificates | 274,467 | 300,546 |
| IRA | 44,553 | 55,775 |
| Regular Reserve | 87,544 | 92,020 |
| Other Reserves | 7,607 | 8,974 |
| TOTAL LIABILITIES AND MEMBER EQUITY | \$992,322 | \$1,044,545 |

Statement of Income (in thousands of dollars)

| | 2008 | 2009 |
|----------------------------------|----------------|----------------|
| Interest Income | \$56,061 | \$53,112 |
| Interest Expense | (21,943) | (16,052) |
| Net Interest Income | 34,118 | 37,060 |
| Other Income | 20,051 | 27,165 |
| Income before Operating Expenses | 54,169 | 64,225 |
| Provision for Loan Losses | (5,714) | (11,521) |
| Salaries and Benefits | (22,699) | (24,634) |
| Other Expenses | (19,041) | (22,239) |
| Total Expenses | (47,454) | (58,394) |
| NET INCOME | \$6,715 | \$5,831 |

2009 Achievements

- We completed a successful merger between REAL Financial Credit Union and RCU.
- We added 3,600 Shared Service Centers and MoneyPass for RCU Members to have more access to their funds.
- The grand opening of our Menomonie Office was held in March 2009. This office has brought over 1,000 new Members to RCU.
- A joint Examination conducted by the Wisconsin Department of Financial Institutions and NCUA identified no major exceptions. This is a reflection of our strong policies, procedures, and internal controls.
- We began our Process Improvement Initiatives to increase productivity, efficiency, save expense dollars, and to enhance the Members' experiences.
- RCU continued our long standing run of being the #1 Real Estate Lender in Eau Claire and Chippewa Counties in 2009.
- RCU opened two new School \$ense credit union locations in the fall of 2009.

2009 Volunteer Activity

- Over 254,000 hours were given to the community by the RCU Volunteer group and RCU employees in 2009.
- Employees were active in community initiatives such as Go Red for Women, United Way Day of Caring, Relay for Life, and the Highway Cleanup program.
- The 2009 RCU Charity Classic had over 800 runners/walkers raising over \$10,000 for Feed My People Food Bank.

Strategic Objectives

- To reinvent business processes to increase value delivered to Members while increasing process efficiencies.
- To continue to improve financial strength while managing risk.
- To evaluate RCU eCommerce service and make recommendations for improvement.
- To obtain regulatory approval for the AnchorBank branch acquisition and successfully integrate these new branches.



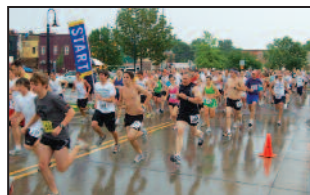
RCU continued its dedication to community events through sponsorship of the Menomonie Chamber Golf Outing in May.



RCU employees participate annually in the United Way Day of Caring. The most recent Day of Caring project was yard work and cleaning at Bolton Refuge House Children's Center.



Employees had fun with Savin' Sammy in the New Richmond holiday parade.



Despite a little rain, we had a great turnout at the 2009 RCU Charity Classic with over 800 participants. To date, RCU has raised over \$77,000 for local charities.



Several Shred Days were held in 2009 in an effort to encourage Members and non-Members to protect their identity by shredding confidential documents.



The School \$ense staff of Colby Elementary takes a break from work to smile for the camera. Colby Elementary is one of 2 new sites opened in 2009.

2009 Annual Report

www.rcu.org

Wisconsin Offices

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 N Hastings Place
Eau Claire, WI 54703

Moholt Office
2415 Jodi Drive
Eau Claire, WI 54703

Shopko South Office
1049 W 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 W Spence Street
Colby, WI 54421

Menomonie Office

2615 Hils Court
Menomonie, WI 54751

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

Minnesota Offices

Coon Rapids Office

11450 Robinson Drive NW
Coon Rapids, MN 55433

Edina Office

4450 W 76th Street
Edina, MN 55435

St. Paul Office

325 E Roselawn Avenue
St. Paul, MN 55117

Member Service

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