



The Difference Is You



Welcome to the 43rd RCU Annual Meeting

RCU has enjoyed another successful financial year. In this report we will be highlighting our accomplishments for 2006 and looking at the future of our institution and the goals for 2007. We'd like to extend a warm welcome to you and appreciate any feedback you would like to share with us.

Chairperson / CEO Report

The year 2006 was exciting for RCU. We were selected as the Financial Institution of Choice by the readers of the *Leader-Telegram* for the fifth year in a row! We introduced our new Moholt Office to our Members, and that office is already setting new records. In addition, we opened a new office in New Richmond, which is generating a lot of interest.

At RCU, we are very proud of the addition of our tenth school site credit union. At year end, the students served by our in-school credit unions had over \$1 million in deposits at RCU. The school site credit unions are teaching our children how to develop good saving skills for their future.

A very special honor was bestowed on RCU when we were designated the number one financial in the nation in the disbursement of the Home Loan Payment Relief (HLPR) Real Estate Lending Program. This program offers low-rate mortgages to first-time homebuyers. We were also the number one Credit Union lender in Wisconsin for WHEDA Home Loan programs in 2006.

Our Employees continue to be active community members by volunteering their time and contributing their dollars to numerous worthwhile groups and activities. In 2006, they contributed over 4,000 hours to non-profit organizations in the communities where they live and work. In addition, the RCU Volunteers, which is made up of over 375 RCU Members, contributed approximately 37,000 hours to their communities.

RCU continues to search for, and offer products and services wanted or needed by our Members. In 2006 the following products and services were introduced:

- Real Estate Program for low income Members
- Health Savings Accounts (HSAs)
- Prepaid Visa Cards
- Jump Start Lending Program
- Printable check images through eBranch

We also held over 60 seminars for our Members ranging in topics from Identity Theft Prevention to Smart Money Management.

Each year we have our Members complete a survey on how well we are doing. Ninety-six percent of our Members with a checking account are either "very satisfied" or "satisfied" with our service level.

Another survey from The Wisconsin Credit Union League showed that RCU returns \$324 to our Members per household compared to \$143 per household for other credit unions. This is in the form of better loan and savings rates, lower fees, and more offices. We are proud of this satisfaction level from our Members.

Finally, in 2006, our loans increased 6.79% and deposits increased 6.4%. Clearly, we are meeting the needs of our Membership. In addition, we increased our Membership by 4,662 for a total of 106,812 Members enjoying our products, locations, and service level.

Respectfully submitted,



John C. Sackett
Chairperson



Charles M. Grosskaus
CEO

Minutes of the 42nd Annual Meeting • April 27, 2006, 4:30 pm

The 42nd Annual Meeting of RCU was called to order by Chairperson John Sackett.

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

Directors Absent: Douglas Olson

CEO Present: Charles Grossklaus

Guests: Drew Ryberg - Legal Counsel; Jean Wysocky – IAAP; RCU's Management Team and Employees

Chairperson Sackett introduced the Members of the Board of Directors.

Approximately 50 Members were present.

Minutes of the 41st 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. A Member asked how many Employees work for RCU. Grossklaus responded with 500 Employees.

Susan D. Haugen, Treasurer of the Board of Directors, gave the Treasurer's report.

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

Dr. Lee Hansen, Chairperson of the Nominating Committee, explained the procedures of the election of Directors by mail ballot. Jean Wysocky, Representative of the International Association of Administrative Professionals, presented the results of the election to Dr. Lee Hansen who announced the results:

John Sackett with 3,243 votes, William Blackburn with 3,312 votes, Jim Pinter with 1,569 votes, Albert (Bert) Richard with 1,356 votes, Edward Wittrock with 1,674 votes.

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

Motion was made and seconded to destroy 2006 ballots after 30 days of the Annual Meeting. Motion carried.

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

43rd RCU Annual Meeting Agenda
April 25, 2007

▶ Call to Order

▶ Introduction: Board of Directors and Officers

▶ Introduction: Special Guests

▶ 42nd Annual Meeting Minutes

▶ Chairperson's Report

▶ Treasurer's Report

Supervisory Committee Report

Annually, the Chairperson of the Board of Directors appoints two Board Members and two at-large Members to the Supervisory Committee. In 2006, the committee was comprised of Nancy Beltz, Board Member, as Chairperson; John Sackett, Chairperson of the Board; at-large Member, David Meier; and at-large Member, Dave Olinger.

The Supervisory 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.

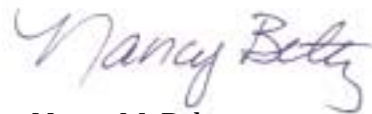
Throughout the year, the Supervisory Committee utilizes a number of resources to fulfill its responsibilities, including an Internal Audit function. The Internal Audit function, which performs operational and compliance audits of RCU activities and tests and reviews of the overall systems of internal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

A December 31, 2006, 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 Supervisory 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



2006 RCU Board of Directors and CEO

Standing L-R:

Nancy M. Beltz
Charles M. Grossklaus, CEO
Jennifer A. McDonough, Secretary
William R. Blackburn
Susan D. Haugen
Douglas A. Olson

Seated L-R:

John C. Sackett, Chairperson
Richard M. Greene, Vice Chairperson



The 2005 and 2006 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)

	2005	2006
Cash and Equivalents	\$23,200	\$31,377
Investments	5,199	8,933
Personal Loans	225,564	240,350
Real Estate Loans	245,023	266,449
Business Loans	196,299	205,355
Allowance for Loan Loss	(7,189)	(7,421)
NCUA Insurance Fund Deposit	4,980	5,585
Other Assets	41,317	44,306
TOTAL ASSETS	\$734,393	\$794,934
Short Term Borrowings	\$45,329	\$63,000
Other Liabilities	6,170	6,699
Shares	153,713	143,241
Checking	115,782	116,739
Money Market	115,340	141,743
Certificates	187,761	206,212
IRA	33,001	36,433
Regular Reserve	71,240	74,167
Other Reserves	6,057	6,700
TOTAL LIABILITIES AND MEMBER EQUITY	\$734,393	\$794,934

Statement of Income (in thousands of dollars)

	2005	2006
Interest Income	\$39,979	\$51,841
Interest Expense	(13,057)	(20,821)
Net Interest Income	26,922	31,020
Other Income	14,424	15,368
Income before Operating Expenses	41,346	46,388
Provision for Loan Losses	(2,791)	(4,437)
Salaries and Benefits	(20,163)	(22,228)
Other Expenses	(14,624)	(16,152)
Total Expenses	(37,578)	(42,817)
NET INCOME	\$3,768	\$3,571

2006 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 outstanding

2006 Volunteer Hours

- Over 36,500 hours have been given to the community by the RCU Volunteer group in 2006
- 4,751 hours were given by RCU Employees to local organizations and charities

2007 Goals

- To encourage eService usage by developing new technologies
- To expand our school site program to another location
- To complete remodeling of the Shopko South office
- To promote financial education through presentations
- To be the “financial institution for life” for our Members



In June, we celebrated the opening of our New Moholt Office which is now four times the size of the original office.



We celebrated the opening of our New Richmond Office in May with a well-attended ribbon cutting.



Our 10th school site was opened at Putnam Heights Elementary school in Eau Claire in October 2006.



The RCU Charity Classic, relocated in 2006 to Phoenix Park, has raised over \$41,500 to date for local charities.



A new Kid's Club event called "Movie in the Morning" was added by teaming up with Micon Cinemas in Chippewa Falls.



We sponsored the RCU/Eau Claire Express "Turn Back the Clock" night in June.



Gretchen Mastin, an RCU Business Loan Representative, donated blood at an RCU employee blood drive.



RCU Employees Jorunn Berg and Kristin Mayo stocked shelves for the United Way Day of Caring.

2006 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

Graham Riverside Office
402 Graham Avenue
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

715-833-8111 or 1-800-341-9911
www.rcu.org

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

