2017 ANNUAL REPORT
CREATE A POSITIVE IMPACT IN THE LIVES WE TOUCH

(It's why we exist.)

CORE VALUES

- Make a Difference
- Do the Right Thing
- Make It Easy
- Be Friendly, Nice, and Respectful
- Be Caring
- Take Ownership
2017
Another Success Story

First and foremost, our very sincere congratulations go out to Brandon Riechers, who was named Royal Credit Union’s CEO on July 31. After a nationwide search, the board chose Brandon, a longtime member of Royal’s lending team (and most recently, our Chief Lending Officer) to become Royal’s fifth CEO. Brandon rose to the top because he is a values-driven, Member-focused, strategic leader who is respected throughout not only the communities Royal serves but also the credit union industry as a whole.

At Royal, all decisions, whether about personnel or products, are made based on our core purpose and core values. If there’s something that might take a lot of hard work but it meets the criteria of making a positive impact in the lives we touch, we move forward. At the same time, if something sounds exciting but doesn’t meet that standard, we don’t do it. Because of that commitment to you, our dedicated Member-owners, as well as our hard working team members, 2017 was another success story.

The biggest example of this is our value proposition. Our Members receive more free products and services, with fewer fees, because we do not believe that you should have to pay us to use your money. We are also proud of the fact that we are able to provide our Members with some of the highest deposit rates and lowest loan rates in the regions we serve (and national aggregator DataTrac backs us up on that). And, supporting the communities we serve is a priority for us because our communities also support us! We love giving back to our communities through donations and service.

At Royal, we are here to help you achieve your hopes, dreams, and goals. We are here to listen to and understand your goals first and then set you up with the tools, products, and services that align with your ambitions. We are here to help your story unfold in the way that you envision. As C.S. Lewis said, “You are never too old to set a new goal or to dream a new dream.” And we love to help!

Doug Olson, Chairman  Brandon Riechers, President/CEO
WHAT A GREAT YEAR

Another Great Year!
Royal is led by and committed to our core values and our core purpose:

TO CREATE A POSITIVE IMPACT IN THE LIVES WE TOUCH

Our job at Royal is to ensure we can make the best impact on our Members’ financial future. It is also very important for us to do the right things for our Members and our communities where we live, work, and play.

We are very proud of receiving the Wisconsin Credit Union League’s Dora Maxwell award for Outstanding Community Service. The award is named after Dora Maxwell, an early credit union pioneer who organized hundreds of credit unions, developed volunteer organizer clubs, and worked with organizations to help people in need.

One of the many ways we are able to help our Members who are in need is by being a certified Community Development Financial Institution (CDFI). As a result, we receive grant funding to improve our local economies and the lives of our Members. This certification reflects our focus on providing fair financial tools and education for all, especially people who are underserved. We believe everyone deserves access to fair financial tools and services. In 2017 alone, we loaned out $51 million in consumer loans and nearly $12 million in home loans through our CDFI program. It has helped Members live the story they dream of, in a home or vehicle of their own.

Royal’s FUSE Program is growing! FUSE stands for Future U.S. Entrepreneurs and is Royal’s competitive learning experience for middle school students. This program provides young people lessons on how to create a complete written business plan proposal and start their own business. This is followed by the opportunity to present their plans to a panel of experts. In October, 20 young entrepreneurs from DeLong Middle School shared their business ideas in front of a panel of judges from Royal and other local businesses. The program began at DeLong Middle School and expanded to Unity Middle School and Chippewa Falls Middle School in 2017. This expansion resulted in an additional 27 students that were able to participate and present business plans.

Making a positive impact in the lives of some very special high school students through Test Drive…Next Stop Reality! The ultimate goal of this reality fair is to provide students with the opportunity to explore their future career and income possibilities, as well as the financial challenges that lie ahead of them. Students select a career that matches their present plans and research their choices to determine key information needed to create their budget. By spending several hours managing their monthly income and expenses, the students take away new perspectives on the joys and challenges of life after college.

Outstanding Deposit Rates!
Thank you to our Members for bringing us an additional $164 million in deposits in 2017. We are delighted to be able to give you some of the best deposit rates in the markets we serve to reward you for bringing us your money. We were able to provide you with deposit rate increases four times in 2017! In order to help others take advantage of our outstanding deposit rates, we would like your help in spreading the word. Even if we have the best rates in our markets, it is our commitment to put our Members’ best interests first and to do the right thing that drives us to provide you the highest value for your Membership.
Amazing Loan Rates!
In addition to our appreciation for your deposits, we would also like to extend a big thank you to our Members for your loan business. Because of you, we experienced significant loan growth of 12.26%. Just like with deposits, we ask that you help others take advantage of our amazing loan rates by sharing your experiences with friends, family, and colleagues. Using the word “amazing” there isn’t just a marketing ploy. We invite everyone to go ahead and compare those rates to other financials in our markets. We think you will agree with that word choice. Again, even if we have the best rates in our markets, it is our commitment to put our Members’ best interests first and to do the right thing. This is another avenue where we can help. It’s just what we do here.

Your continued patronage and support of Royal resulted in an increase in assets in your credit union by more than $185 million. What we have at Royal is a great example of how a cooperative relationship should work. We strive to provide you the very best financial value and make it easy to do business with us. In return, as you turn to Royal with your deposits, loans, and investment business, we are then allowed to continually improve upon that outstanding value proposition.

Thank you for your business and for giving us the ability to help make your hopes, dreams, and goals come to fruition!

Your loyalty and continued business makes it possible for us to provide value to all Members.
April 25, 2017, 4:30 P.M.

The 53rd Annual Meeting was called to order by the Chairman of Royal’s Board of Directors, Douglas Olson.

Chairman Olson introduced the members of the Board of Directors and gave the Chairman’s report.

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

The Audit Committee Report was published in the Annual Report.

Douglas Olson explained the procedures of the election of directors by mail ballot.

Donna Weidman, representative of the American Association of University Women, presented the results of the election to Douglas Olson who announced the results.

Nancy Beltz with 6,234 votes
Tom Huffcutt with 5,909 votes
Christopher Reali with 1,627 votes

Nancy Beltz and Tom Huffcutt were elected to three-year terms.

A motion was made and seconded to destroy the 2017 ballots after 30 days of the Annual Meeting. Motion carried.

UNFINISHED BUSINESS: None

COMMUNICATIONS: None

NEW BUSINESS: None

Motion was made and seconded to adjourn. Refreshments were served.

Respectfully submitted,

Jennifer McDonough, Secretary
CRUNCHING THE NUMBERS

8.4% increase in assets from last year

41.4% increase in assets from five years ago

AUDIT INFO

The 2017 and 2016 financial statements were audited by Moss Adams LLP. They expressed an unqualified opinion on those statements. Condensed financial information is shown.

STATEMENT OF FINANCIAL CONDITION

<table>
<thead>
<tr>
<th>ASSETS (in thousands of dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$101,436</td>
<td>$161,996</td>
</tr>
<tr>
<td>Investments</td>
<td>54,229</td>
<td>34,555</td>
</tr>
<tr>
<td>Loans</td>
<td>1,910,423</td>
<td>1,699,742</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>37,649</td>
<td>40,435</td>
</tr>
<tr>
<td>Other Assets</td>
<td>107,323</td>
<td>88,713</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$2,211,060</strong></td>
<td><strong>$2,025,441</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES &amp; MEMBERS’ EQUITY (in thousands of dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities: Members’ Shares</td>
<td>$1,937,771</td>
<td>$1,774,063</td>
</tr>
<tr>
<td>Liabilities: Accrued Expenses and Other Liabilities</td>
<td>36,082</td>
<td>39,788</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>1,973,853</strong></td>
<td><strong>1,813,851</strong></td>
</tr>
<tr>
<td><strong>TOTAL MEMBERS’ EQUITY</strong></td>
<td><strong>237,207</strong></td>
<td><strong>211,590</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; MEMBERS’ EQUITY</strong></td>
<td><strong>$2,211,060</strong></td>
<td><strong>$2,025,441</strong></td>
</tr>
</tbody>
</table>

STATEMENT OF INCOME

<table>
<thead>
<tr>
<th>NET INCOME (in thousands of dollars)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL NET INTEREST INCOME</strong></td>
<td>62,796</td>
<td>55,273</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>(3,619)</td>
<td>(1,945)</td>
</tr>
<tr>
<td><strong>TOTAL NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</strong></td>
<td>59,177</td>
<td>53,328</td>
</tr>
<tr>
<td><strong>TOTAL NONINTEREST INCOME</strong></td>
<td>35,934</td>
<td>33,105</td>
</tr>
<tr>
<td><strong>TOTAL NONINTEREST EXPENSE</strong></td>
<td>(69,494)</td>
<td>(66,482)</td>
</tr>
<tr>
<td><strong>TOTAL NET INCOME</strong></td>
<td><strong>$25,617</strong></td>
<td><strong>$19,951</strong></td>
</tr>
</tbody>
</table>
The Board of Directors approves the appointment of two Board Members and three at-large Members to the Audit Committee annually. In 2017, the committee was comprised of Jennifer McDonough, Board Member, as Chairperson; Tom Huffcutt Board Member; and Jim Mattson, Ray Hughes, and Tracy Flanagan, at-large Members.

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, Royal is in compliance with laws and regulations, and Royal operates in an ethical environment.

Throughout the year, the Audit Committee utilizes a number of resources to fulfill its responsibilities, including an Audit Services function. The Audit Services Department, which performs risk-based operational and compliance audits of Royal Credit Union activities and tests and reviews of the overall systems of internal control, reports directly to the Audit Committee.

A December 31, 2017, financial statement audit was performed by Moss Adams LLP. The external audit’s primary purpose is to certify that the financial statements are free from material misstatements and are in accordance with Generally Accepted Accounting Principles.

The state regulator for Wisconsin Credit Unions is the Department of Financial Institutions and the federal regulator for federally insured credit unions is the National Credit Union Administration. An examination was conducted by the National Credit Union Administration for the period ending June 30, 2017, focused on Royal’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 Royal Credit Union. These reports provide Royal Credit Union 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.