That's a great takeaway when reviewing this year's financial data. We continue a long run of tremendous success for Royal Credit Union and our Members. We have a great thing going, and we have our eyes set on even more for 2019 and beyond.

One of the best measures of a credit union's overall strength and security is the net worth ratio. The National Credit Union Association (NCUA) defines a well-capitalized, financially strong credit union as having a net worth ratio above 7%. As you can see from our 2018 financial report, Royal not only qualifies as well-capitalized, we catapult over that mark by a large margin. As a Member, you can feel safe working with a strong financial service organization like Royal.

Royal Credit Union is, of course, a financial service cooperative, which means the more Members use the wide variety of products and services we offer, the more everyone benefits. Profits from these products and services are given back to the Members in the form of better rates, lower fees, new technologies to make your financial life a little easier, and a reinvestment in the communities we live and serve in.

Products alone offer little value without great service. We are more than just order-takers. We want to help you achieve your financial goals and be there to see your story unfold! As your trusted financial partner, Royal is committed to providing a great experience to you and all of our Members every single time you need us, whether you visit us in an office, access us through online or mobile banking, or call us. We know that this is one of the absolute best ways to expand our value proposition to new and existing Members, because people love to share their experiences. And again, the more we can tell our story, the more all of our Members will benefit.

In order to give an additional boost to our continued growth, we are always on the lookout for ways to attract new Members. But what does bringing in new Members do if we aren’t able to keep them? It would be like trying to fill a bucket with water when the bucket has large holes in it. Our value proposition is the single biggest reason why our Members choose to stay with us. That being said, we asked ourselves if there was anything else we could do to show our appreciation for the patronage our loyal Members give us without sacrificing any of the existing benefits. We also saw this question come through in our surveys from our Members. I am proud to share with you that beginning in 2019 we have been able to do just that!

Our brand new Royalty program was put in place specifically to reward our loyal Members. Throughout the year we will have new offers that our existing Members can unlock. Our Members will still get the best rates we can offer (even if they far exceed the next best rate in the area) and fewer fees. We don’t need to sacrifice anything in terms of technology investments or service levels. Just like potential incentives for new Members or new products, the Royalty program was only possible because of our extremely healthy financial position. It only makes sense to give back to those that put us there.

It is an incredibly exciting time to be a part of Royal Credit Union. As a Member-owner, you can be very proud of how strong you have made your credit union and how we are able to leverage that strength to spread our value proposition to even more people. As you continue to share your stories with us, please also remember to spread the story of Royal Credit Union to your friends and family. Every Member within this financial cooperative benefits as we grow.

As always, thank you for being a Royal Credit Union Member.

Brandon Riechers | President & CEO
The financial services industry continues to be more and more competitive each and every year. Having more choices is certainly seen as a benefit for consumers, but it can sometimes pose challenges as well. Having said that, I am extremely happy to share the news of another highly successful year here at Royal.

So what is it? What sets Royal Credit Union apart from the rest by allowing us to grow and flourish each year? In my mind, the answer is clear:

Members like you.

Before we go too far, let's take a moment to step back and look at just what it means to be a Member of Royal Credit Union. Royal is a cooperative, which is an association made up of people that come together to meet a common need. Every Member of the cooperative is an owner, and is therefore entitled to share in the profits.

Here at Royal, we give this surplus back to you, our Members, in many ways throughout the year. Of course, the most tangible ways we do this are:

Fewer fees. We are in this together, and we don’t believe you should have to pay us to use your own money.

Better rates. Not just on one or two products, but our entire line is priced competitively because our Members have different needs. Even if we are already the best rate in town and we find we can do better, we will do it. That’s Doing the Right Thing, one of our core values, and what you should expect from your credit union.

We love hearing from our Members and we read every survey that comes back to us. The feedback we receive is a gift, because it allows us to see not only how we have done, but also what we can do to improve the overall Member experience going forward. The surveys are one of the best sources we have for finding other ways to return value to our Members.

New products and services. The highlight of 2018 was probably rolling out Business Mobile Deposit, which allows our business Members to take a picture of checks and instantly have the money deposited into their accounts.

Improved and expanded locations. A land purchase in St. Croix Falls will allow us to customize a new office to better serve the needs of our Members in that area.

But it doesn’t stop there. Since its inception in 2012, the RCU Foundation has invested roughly $3 million to support organizations and initiatives in the communities we serve. The Foundation simply could not exist without the support of our Members. By being a Member of Royal Credit Union, you are making a difference in your community.

Callahan & Associates is a national credit union research and analytics company. Each year, they conduct a study of all credit unions for a report they call “Return to the Member.” They look at the many ways credit unions give back to their Members—many of the same things I outlined—and rank the credit unions in terms of how much benefit they are providing for their Members. In 2018, there were more than 5,500 credit unions in the study. Where did Royal Credit Union slot in? At number 16. That’s right—just 15 credit unions nationwide were able to top us. We are very proud of that number, but are looking forward to the day when we can top the entire list.

By taking advantage of the products and services we offer, you allow us to do even more. It’s a “flywheel” effect, where momentum generated leads to even more growth and more benefits for you, your fellow Members, and your community. Finding even more ways to reward Member loyalty is one of the initiatives we are rolling out in 2019. Each quarter, a new offer will be made available exclusively for our Members. The Royalty program is another way for us to say thank you for your continued support of your credit union.

All of the impressive numbers you see inside are because of you. Royal’s Core Purpose is To Create a Positive Impact in the Lives We Touch. Because of your loyalty and patronage, we are able to do just that. Thank you for taking us to where we are today. We look forward to the journey ahead.

Doug Olson
Board Chairman
54th Annual Meeting Minutes
April 24, 2018

Members Present:
Approximately 40

Directors Present:
Doug Olson, Jennifer McDonough, John Sackett, Tom Huffcutt, Stuart Schaefer, Nancy Beltz, and Bill Blackburn

Directors Absent:
None

Guests:
Drew Ryberg - Legal Counsel, Royal's Executive Team, and Royal's Team Members

The 54th Annual Meeting was called to order by the Chairman of Royal Credit Union's Board of Directors, Doug 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.

Doug Olson, explained the procedures of the election of directors. Olson introduced the Nominating Committee and asked Josh Hraban to explain the election process.

Josh Hraban, Member of Royal's Nominating Committee, gave the report on the election.

A motion was made and seconded to cast a unanimous ballot for Bill Blackburn and John Sackett to fill the two expired three-year terms.

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

Brandon Riechers, Chief Executive Officer, gave the CEO Report. A Member questioned how many team members Royal has, and the answer is 600 team members.

Unfinished Business: None

Communications: None

New Business: None

Other: A Member asked if Royal matches our certificate rates to other financials’ rates. She also commented on the great service Rudy Pereira provided her while he was at Royal. Jon Hehli, Chief Financial Officer, explained Royal's philosophy on rates and how we keep both loan and deposit rates within the 75th percentile of our peers. In aggregate, Royal has the best rates. Because of this, Hehli stated that Royal does not match rates.

A motion was made and seconded to adjourn. Refreshments were served.

Respectfully submitted,

Jennifer McDonough | Board Secretary
# 2018 Financial Report

## Statement of Financial Condition

### Assets (in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$68,749</td>
<td>$101,436</td>
</tr>
<tr>
<td>Investments¹</td>
<td>61,608</td>
<td>78,508</td>
</tr>
<tr>
<td>Loans</td>
<td>2,141,035</td>
<td>1,910,423</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>37,248</td>
<td>37,649</td>
</tr>
<tr>
<td>Other Assets¹</td>
<td>81,884</td>
<td>83,044</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$2,390,524</td>
<td>$2,211,060</td>
</tr>
</tbody>
</table>

¹ Certain account reclassifications and adjustments have been made to the consolidated financial statements of the prior year in order to conform to current-year presentation. These reclassifications have no effect on previously reported net income or members' equity.

### Liabilities & Members' Equity (in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities: Members' Shares</td>
<td>$2,095,050</td>
<td>$1,937,771</td>
</tr>
<tr>
<td>Liabilities: Accrued Expenses and Other Liabilities</td>
<td>34,887</td>
<td>36,082</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>2,129,937</td>
<td>1,973,853</td>
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<tr>
<td><strong>TOTAL MEMBERS’ EQUITY</strong></td>
<td>260,587</td>
<td>237,207</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; MEMBERS’ EQUITY</strong></td>
<td>$2,390,524</td>
<td>$2,211,060</td>
</tr>
</tbody>
</table>

## Statement of Income

### Net Income (in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL NET INTEREST INCOME</strong></td>
<td>$73,540</td>
<td>$62,796</td>
</tr>
<tr>
<td>Provision for Losses</td>
<td>(10,031)</td>
<td>(3,619)</td>
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<tr>
<td><strong>TOTAL NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</strong></td>
<td>63,509</td>
<td>59,177</td>
</tr>
<tr>
<td><strong>TOTAL NON INTEREST INCOME</strong></td>
<td>38,377</td>
<td>35,934</td>
</tr>
<tr>
<td><strong>TOTAL NON INTEREST EXPENSE</strong></td>
<td>(78,506)</td>
<td>(69,494)</td>
</tr>
<tr>
<td><strong>TOTAL NET INCOME</strong></td>
<td>$23,380</td>
<td>$25,617</td>
</tr>
</tbody>
</table>

## Audit Information

The 2018 and 2017 financial statements were audited by Moss Adams, LLP. They expressed an unqualified opinion on those statements. Condensed financial information is shown.
The Board of Directors approves the appointment of two Board Members and three at-large Members to the Audit Committee annually. In 2018, the committee was comprised of Jennifer McDonough, Board Member, as Chairperson; John Sackett, Board Member; and at-large Members Jim Mattson, Ray Hughes, and Tracy Flanagan.

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, 2018, 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 results of the audit indicated Royal’s December 31, 2018, financial statements are presented fairly and are in accordance with 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 and the Department of Financial Institutions for the period ending June 30, 2018, focusing on Royal’s safety and soundness.

Results of all examinations, audits, and reviews are presented to the Executive Team, 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 confirm 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.

THE AUDIT COMMITTEE

JENNIFER MCDONOUGH
BOARD MEMBER, CHAIRPERSON

JOHN SACKETT
BOARD MEMBER

JIM MATTSON
AT-LARGE MEMBER

RAY HUGHES
AT-LARGE MEMBER

TRACY FLANAGAN
AT-LARGE MEMBER

PO Box 970, Eau Claire, WI 54702-0970

rcu.org  800-341-9911

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