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Eau Claire's Royal Credit Union acquiring small bank in Twin Cities

By *Paul Gores* of the *Journal Sentinel*

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Eau Claire-based Royal Credit Union plans to acquire a small bank in Minnesota, the latest deal in which a large credit union is buying a community bank.

If the transaction receives regulatory approval, Royal expects to take over Capital Bank, of St. Paul, in the second half of this year.

Royal said the acquisition will give it new members and add a branch to its Minnesota territory, which currently includes 12 counties.

"Capital Bank is known as the 'community bank within the city,' and we feel its current customers will be pleased by our commitment to providing exceptional financial value, great service and community giveback where the member comes first," Rudy Pereira, Royal Credit Union president and chief executive officer, said in a statement.

Capital Bank has assets of about \$35 million, making it one of the 20 smallest banks based in Minnesota. Royal, with assets of almost \$1.8 billion, is the fifth-largest credit union headquartered in Wisconsin. Capital Bank had net income of \$204,000 in 2015. Royal's net income was \$19.1 million.

The deal continues a trend of large credit unions buying small community banks. Wisconsin's largest credit union, New Berlin-based Landmark, acquired Hartford Savings Bank in 2014. In February, Advia Credit Union, of Parchment, Mich., announced it planned to acquire Janesville-based Mid America Bank.

According to the industry publication [CUToday](#), the Capital Bank deal with Royal would be the ninth time a credit union has purchased a bank since 2011.

Credit unions provide many of the same services as banks, but they are financial cooperatives owned by their members instead of stockholders. Banks often complain credit unions have an unfair competitive advantage because they don't have to pay income taxes.

For a small bank, selling to large credit union can be attractive for multiple reasons, according to attorney Michael M. Bell, who has been involved in most of the deals to date as a mergers and acquisitions specialist with the firm Howard & Howard in Royal Oak, Mich. Among them is that credit unions don't have stock that they can use in bank purchases, so they pay in cash.



About Paul Gores

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