

Supervisory Committee Report

The Supervisory Committee has ongoing responsibilities to appraise policies, review operational procedures and perform internal audits designed to verify that the accounting records accurately reflect the operations of the Credit Union. The Supervisory Committee verifies that there are adequate internal controls in place to protect the Credit Union, its members, management and employees.

The Supervisory Committee selected Eide Bailly LLP to conduct an independent audit of the Credit Union for calendar year 2005. The audit included examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included members' account verification, review of share and loan ledgers, review of loan delinquency and the adequacy of the allowance for loan losses account, review of internal controls and procedures and confirmation of credit union investments.

The Supervisory Committee received a copy of the Independent Auditors' Report for the year ended December 31, 2005 and a copy of this report is available at the Boise Credit Union Office for members to review. It is the opinion of the Supervisory Committee that Albertsons Employees' Federal Credit Union is operating effectively, that the financial statements present fairly its financial position and that operations are handled in accordance with generally accepted accounting principles and related federal regulations.

Doyle Troyer, Chairman
Supervisory Committee

Member services

NCUA Deposit Insurance

Payroll Deduction

Share Draft Checking

Overdraft Protection

-- Line of Credit

Direct Deposit

-- Government & Payrolls

Savings Accounts

Vacation & Christmas Club

IRA's

Money Market Accounts

Time Share Certificates

e-Statements

Western Union Quick Collect

24/7 Loan Link Call Center

Money Gram & Express Pay

CUNA Brokerage Services

Free Travelers Checks

Discount Movie Tickets**

Free Home Banking "CUOnline"

Drive Through Window***

Quick Cash Dispensing Machines**

Account Access through the

CU Service Centers Network

Safe Deposit Boxes*

VISA Credit Cards with

1% Purchase Rebate

Personal Loans

Real Estate Loans

Home Improvement Loans

Automobile Loans

RV Loans

Stock Loans

Credit Disability Insurance

Credit Life Insurance

Free Cashiers Checks

Lifetime & Family Membership

Roth IRA's

Free Notary Service**

Toll Free Electronic Teller "ET"

Guaranteed Asset Protection (GAP)

Mechanical Breakdown Protection (MBP)

ATM/Point-of-Sale/MasterCard Debit

Internet Home Page

Free CU OnLine Bill Payer****

Excess Share Insurance Coverage up to

\$350,000 at no charge to members

On-Line Loan Applications

*Available Boise Only **Available at Some Locations

Available at Each Branch Office *With Direct Deposit to a Share Draft Account

financial Highlights 2005

	2005	%Change	2004	%Change	2003
Loans	\$ 84,045,970	14.3%	\$ 73,508,401	0.9%	\$ 72,821,142
Members' Savings	\$157,571,263	-2.1%	\$160,919,280	5.2%	\$153,007,898
Cash and Investments	\$104,575,922	-9.1%	\$115,008,676	9.3%	\$105,190,511
Total Assets	\$194,137,428	0.0%	\$194,180,594	6.1%	\$183,013,226
Capital and Reserves	\$ 36,221,485	9.4%	\$ 33,104,812	8.1%	\$ 30,633,840
Gross Income	\$ 11,959,828	14.8%	\$ 10,421,377	0.1%	\$ 10,406,473
Net Income	\$ 3,154,142	-1.2%	\$ 3,192,387	32.3%	\$ 2,412,779
Dividends Paid	\$ 2,709,906	16.4%	\$ 2,327,813	-12.3%	\$ 2,654,960
Number of Members	42,452	-6.0%	45,181	-0.9%	45,606

Credit Union Officials and Management Staff

Phyllis A. Adkins, President & CEO

Michael S. Vickery, Sr. Vice President & COO

Theresa Koenen, Loan Manager

Ann Cargile, Loan Servicing Supervisor

Chris Demaray, Manager, Member Service & Human Resources

Leo Francis, Manager, Branch Operations & Regulatory Compliance

Ken Smith, Manager, Technology Development & Loss Prevention

Bonnie Kuhl, Card Services Supervisor

Stacey Devereaux, Manager, Accounting & Electronic Services

Denise Bardwell, Orlando Branch Manager

Tanya Brumfield, Dallas/Fort Worth Branch Manager

Laura Sotelo, Los Angeles Branch Manager

Board of Directors

Robert P. Baker, Chairman

Bill Carter, Vice Chairman

Michael T. Shalz, Treasurer

Lary Matthews, Secretary

Kevan Fenderson

Cynthia Forsch

Doug Gibson

Pradip Mehta

Gary Morton

Supervisory Committee

Doyle Troyer, Chairman

Michele Koci

Roger Belnap

Mike Beckstead

Boise Main Branch

P.O. Box 8145

Boise, ID 83707

(208) 385-5200

Dallas / Fort Worth Branch

1327 Brown Trail

Bedford, TX 76022

(817) 285-8292

Orlando Branch

3305 Lake Breeze Road

Orlando, FL 32808

(407) 292-2006

Los Angeles Branch

341 E. Imperial Hwy.

Fullerton, CA 92835

(714) 738-4681

2005 Annual Report

RIISING TO SURPASS Your Needs



ALBERTSONS EMPLOYEES' FEDERAL CREDIT UNION



www.albertsonsempfcu.com



Management Report

Albertsons Employees' Federal Credit Union (AEFCU) celebrated forty years of providing financial services to its members in 2005; a year marked by exceptional loan growth, strong earnings, the debut of new services and some uncertainty surrounding our sponsor.

Throughout the years, AEFCU has been focused on providing meaningful, value added financial services to its member/owners: the associates of Albertsons, Inc., retirees and their family members. Since receiving its charter in 1965, AEFCU has become a leader in the financial industry with an ongoing commitment to becoming the financial institution best suited to meet the expanding needs of today's member. It accomplishes this by challenging itself each day, continually raising the expectations it sets for itself and through its belief in thrift, credit union principles and business practices that ensure financial strength.

While 2005 proved to be a challenging year for many credit unions, with rising interest rates and increased competition, AEFCU maintained strong earnings. The Credit Union had \$3.2 million in net income for 2005 compared to \$2.4 million in net income for 2004. An adjustment to the Allowance for Loan Losses reserve of \$766,000 in 2004 raised that year's net income to \$3.2 million.

As the Federal Reserve worked to keep inflation in check by tightening monetary policy, interest rates were on the rise consistently through the year. Strong earnings allowed your credit union to increase its deposit rates and keep loan rates competitive. While there were times when the Credit Union's deposit rates seemed at or below market, your Board of Directors and the Asset/Liability Management Committee continually reviewed and raised deposit rates, keeping your credit union an overall good value while managing inherent risks to the Balance Sheet that occur in a rising rate environment.

Capital and Reserves reached \$36.2 million as of December 31, 2005, a 9.4% increase over 2004. This puts the Credit Union's Capital-to-Asset ratio at 18.7%, and its Net Worth Ratio, a calculation used by the National Credit Union Administration (NCUA) to determine a credit unions financial strength, at 18.3%. Nationally, credit unions of comparable asset size have an average Net Worth Ratio of 11.3%.

The Credit Union ended the year with \$194.1 million in assets, with no significant change in assets from 2004. Members' savings dropped to \$157.6 million, a 2.1% decrease over 2004. Member loans were at \$84.0 million at year end, a 14.3% increase over 2004. With such strong loan growth, and a decline in member deposits, the Credit Union's cash and investments dropped by 9.1%.

The announcement made by Albertsons, Inc. in September of 2005 that it was up for sale clearly had an impact on the Credit Union's deposit and membership growth. While the Credit Union continues to enroll nearly 400 new members each month, there was a net decline in membership of 2,700 during 2005. We continue to work hard to educate and inform our membership that AEFCU is an independent organization, owned and operated by its members, that will continue to thrive and provide financial services to its members.

While the sale of Albertsons will likely result in a modification to the Credit Union's charter and a potential name change, it is in the best possible financial position to take on new and exciting opportunities as they may present themselves. Your Board of Directors began evaluating its business plan and charter options a few years ago; developing numerous contingency plans based upon different scenarios. It has become apparent that diversification is essential to continued strong financial performance, prompting the need to become independent of a single sponsor and expand credit union services to a broader group. Plan on seeing your credit union continue to perform in a consistent and strong manner, using its unique abilities and strengths to make a difference in the lives of its members.

Increasing product and service usage is one of our overall growth objectives, but it's not the only one. We also invest in growing the quality of service we deliver - from one-on-one service at the teller line to behind-the-scenes services, such as CU OnLine and Bill Payer.

In 2005 we implemented an on-line loan application system that was a cornerstone to the exceptional loan growth experienced during 2005. We enhanced our Bill Payer product, implemented laser checks and developed e-statement delivery, which became available to the membership in January 2006. We have also set up a 24/7 loan call center to take loan applications over the phone for those members who cannot apply on-line or in person.

We continue to put an emphasis on improved convenience and in 2006 will be implementing an on-line membership application system. This system, as well as our shared branching network, will be critical to future membership growth as we expand to provide credit union services to a wider range of potential members. You'll also see us increase our marketing efforts as we promote family membership and work to improve operating efficiencies. Since growth in members, services and assets along with an expansion to new markets brings with it increased risk, both internal and external, a greater emphasis will be placed on managing those risks via internal assessments and operational policies.

While it is satisfying to look back at past success and achievements, the real question of the day is how to build upon what we've established. We are extremely proud of our legacy of growth and profitability as well as our association with Albertsons, Inc. the past 40 years. Joe Albertson helped get the Credit Union off the ground back in 1965 with a capitalization loan while a small group of employees volunteered their time to set up and manage this valuable employee benefit. We hope that Albertsons continues to see the role this employee benefit plays in the overall financial health and security of their associates and that they maintain their support.

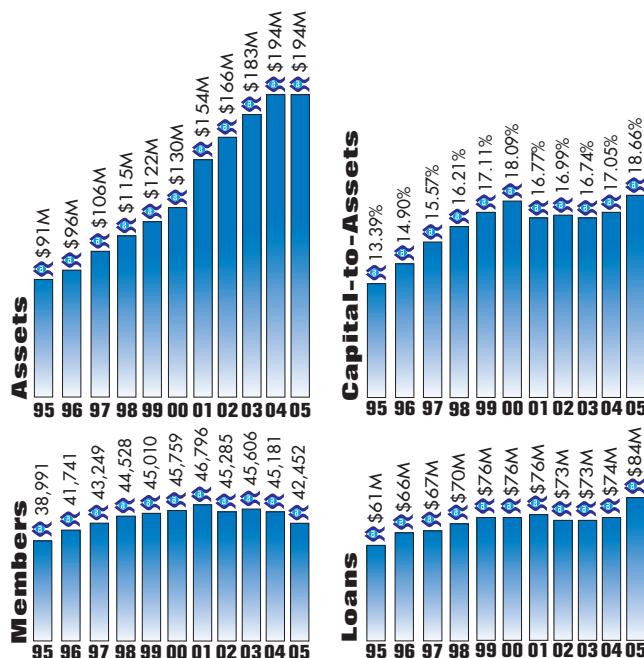
As we move forward, please continue to remember the difference between a credit union and a bank. Though we offer many of the same products and services, AEFCU is fundamentally different from a commercial bank. We are a cooperative financial institution, owned and controlled by our members, with a volunteer Board of Directors. Like banks, we accept deposits and make loans, but unlike banks, our profits are returned to our members by offering better rates and lower fees for services. Banks are in the business to make a profit and are owned by a group of stockholders looking for a healthy return on their investment, which usually translates to fees, fees and more fees.

We are excited about the new growth opportunities that lie ahead for the Credit Union and look forward to a great 2006, with its own set of rewards, obstacles and challenges. Remember, your credit union was built by you and it's owned by you. On behalf of the Board of Directors, committees and staff, we extend our gratitude and appreciation to everyone who helped make 2005 another successful year and to all of our members for their continued support.

Phyllis A. Adkins
President & CEO

Robert P. Baker
Chairman

Michael T. Shalz
Treasurer



Statement of Financial Condition (as of December 31st)

	2005*	2004*	2003*
ASSETS			
Cash and Equivalents	\$ 20,850,809	\$28,701,039	\$40,457,617
Investments	83,725,113	86,307,637	64,732,894
Loans to Members—Net	83,359,716	72,784,679	71,376,004
Accrued Interest Receivable	533,787	455,375	511,831
Property and Equipment—Net	3,854,053	4,009,395	4,110,728
Other Assets	1,813,950	1,922,469	1,824,152
	\$194,137,428	\$194,180,594	\$183,013,226
LIABILITIES			
Notes Payable	\$ 0	\$ 0	\$ 0
Dividends Payable	212,400	167,176	157,530
Other Liabilities	818,534	713,048	659,095
SHARES			
Share Accounts	157,571,263	160,919,280	153,007,898
Total Liabilities and Shares	158,602,197	161,799,504	153,824,523
MEMBERS' EQUITY			
Regular Reserves	2,567,248	2,567,248	2,567,248
Undivided Earnings	32,967,983	29,813,842	26,621,455
Total Members' Equity	35,535,231	32,381,090	29,188,703
	\$194,137,428	\$194,180,594	\$183,013,226

Statement of Earnings (as of December 31st)

	2005*	2004*	2003*
INTEREST INCOME:			
Interest on Loans	\$ 4,937,326	\$ 4,882,103	\$ 5,229,828
Interest from Investments	3,594,231	2,482,985	2,319,493
	8,531,557	7,365,088	7,549,321
Dividend and Interest Expense	2,709,906	2,327,813	2,654,960
NET INTEREST INCOME	5,821,651	5,037,275	4,894,361
Provision for Loan Losses	460,217	(398,799)	410,674
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,361,434	5,436,074	4,483,687
FEES AND OTHER REVENUES	3,428,271	3,056,289	2,857,152
OPERATING EXPENSES:			
Compensation and Benefits	2,230,854	2,174,289	2,113,568
Other Operating Expenses	3,428,484	3,125,398	2,814,492
	5,659,338	5,299,687	4,928,060
NON-OPERATING INCOME/EXPENSES:			
Provision for (Recovery of) Investment Loss	0	0	0
Other Non-Operating (Income)/Expense	0	0	0
Disposition of Assets	(23,775)	289	0
NET EARNINGS	\$ 3,154,142	\$ 3,192,387	\$ 2,412,779

*Taken from Audited Financial Statements