

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 2008. 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, 2008 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 TruGrocer 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

Supervisory Committee

Doyle Troyer, Chairman
Michele Koci
Roger Belnap
Matthew McKinlay

Credit Union Officials and Management Staff

Phyllis Adkins, President & CEO
Michael S. Vickery, Sr. Vice President & COO
Chris Demaray, Director, Member Service & Human Resources
Leo Francis, Director, Lending, Branch Operations & Regulatory Compliance
Stacey Devereaux, Manager, Accounting & Electronic Services
Ken Smith, Manager, Technology Development & Loss Prevention
Ann Cargile, Loan Servicing Supervisor
Julie Post, Business Development Officer
Denise Bardwell, Orlando Branch Manager
Chalyce Wendel, 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

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
Health Savings Accounts (HSA's)
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 CU OnLine
Drive Through Window***
Quick Cash Dispensing Machines**
Account Access through the CU
Service Centers Network
Electronic Statement Delivery
Pay Advance Lines-of-Credit

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****
Share Insurance Coverage up to \$500,000
(additional \$500,000 for IRA's)
-- no charge to members
On-line Loan Applications
Home Equity Lines-of-Credit (HELOC's)

*Available Boise Only
***Available at Each Branch Office

**Available at Some Locations
****With Direct Deposit to a Share Draft Account



National Service Locations

Boise Main Branch
P.O. Box 8145
Boise, ID 83707
(208) 385-5200

Orlando Branch
3305 Lake Breeze Dr.
Orlando, FL 32808
(407) 292-2006

Dallas / Fort Worth Branch
1327 Brown Trail
Bedford, TX 76022
(817) 285-8292

Los Angeles Branch
341 E. Imperial Hwy.
Fullerton, CA 92835
(714) 738-4681

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2008 Annual Report

shining star



TruGrocer
FEDERAL CREDIT UNION

Just for you

Management Report

Looking back at the instability of the credit and housing markets over the past couple of years, we are convinced more than ever that TruGrocer Federal Credit Union's business model of conservative, safe and sound lending and investment practices remains solid. While no sector of the financial services industry remains unaffected by the historic and severe uncertainty in financial markets, TruGrocer had a very successful 2008 and continued to prove uncompromised strength through these tumultuous times.

TruGrocer's philosophy of service, safety and strength has not wavered since 1965, when first chartered as the Albertsons Employees' Federal Credit Union, and the philosophy remains valid. We are proud that your hard earned money is safe and secure at TruGrocer and that we remain a shining star among financial institutions.

The legislation that created the credit union movement in this country was passed in 1934, during the worst days of the Great Depression. There was a real need to provide credit to individuals cut off from traditional banking sources. During the current financial crisis, while banks are reducing lending, credit unions continue to do what they do best... helping members realize their goals and dreams. Credit unions, while only a small part of the financial landscape, have a great story to tell.

Credit unions in today's financial marketplace must be many things to their member/owners. We must be competitive on a wide variety of products and services, deliver first class member service, provide the latest in technology and be a safe haven for deposits. TruGrocer continues to measure its success not only on its financial strength but also on its ability to deliver value to members. The events of the past few years have challenged us to give considerable thought to the best way to add value to a TruGrocer membership.

TruGrocer operated under its new charter to serve the grocery and supermarket industry in the United States throughout 2008. This new charter helps mitigate the risk of grocery industry mergers, acquisitions and store closures on the financial well being and growth opportunities of the Credit Union. Much of 2008 was spent designing a business development strategy to build and strengthen relationships with grocery partners across the country.

We have all read about the volatility of financial markets and have likely felt the results of the recession in both our professional and personal lives. While 2008 proved to be a challenging year for the financial industry in general, with reduced earnings and large loan and investment losses, TruGrocer maintained strong earnings in the face of those challenges. Strong earnings allowed our credit union to keep deposit and loan rates competitive throughout the year and TruGrocer's asset quality remains superior, with no sub-prime real estate loans and conservative investments.

The Credit Union had \$2.4 million in net income for 2008 and Capital and Reserves increased to \$44.9 million. This puts the Credit Union's Capital-to-Asset ratio at 21.5%, and its Net Worth Ratio, a calculation used by the National Credit Union Administration (NCUA) to determine a credit unions financial strength, at 21.2%. Nationally, credit unions of comparable asset size have an average Net Worth Ratio of 11.6% and the NCUA requires a credit union to have a 7.0% Net Worth Ratio to be considered "well capitalized".

In January 2009, the NCUA announced approval of a series of events designed to address concerns with the Corporate Credit Union Network, a system that provides investment, liquidity and payment system services to natural person credit unions. Corporate credit unions have been experiencing strains on liquidity and capital due to the worldwide economic crisis and accounting requirements that affect the valuation of their investment portfolios.

In order to pay for the help given and the dollars infused into the Corporate Credit Union Network, the NCUA must pass on the cost of this assistance to all federally insured credit unions. This will require a partial write-off of existing National Credit Union Share Insurance Fund (NCUSIF) deposits, as well as the payment of additional insurance premiums in 2009 and beyond. The estimated NCUSIF write-off for TruGrocer Federal Credit Union is \$729,000. The cost and timing of additional insurance premiums has not yet been determined, but these combined expenses will have a minimal impact on TruGrocer's Net Worth Ratio. While unfortunate that the Credit Union must help resolve a problem it did not create, it is a strong testimonial to the validity of the credit union cooperative system that issues within the credit union industry can be resolved without tax dollars or a government bailout.

The Credit Union ended the year with \$208.3 million in assets and members' savings declined slightly, to \$163.1 million. Distrust among consumers of the financial services industry in general had some impact on growth but primarily, the lack of asset growth is attributable to management's philosophy of maintaining a "status quo" position while waiting for financial markets to stabilize.

TruGrocer's strong capital position, the increase in federal deposit insurance limits and the excess share insurance guarantee provided by the Credit Union is expected to fuel future growth.

Member loans were at \$77.0 million at year-end, a 4.3% decrease from 2007. Uncertainty among members about the economy and the worsening job market, as well as changes in consumer borrowing habits, had a substantial impact on loan growth. It is likely that loans will continue to decrease until the economy rebounds.

Managing fraud risk and protecting our cardholders from fraudulent use of their debit and credit cards was a focal point during 2008, as data breaches at merchants and their card processors continue to pose a threat. The enhanced security measures TruGrocer has implemented on its card programs continues to reduce the Credit Union's losses from fraud but it remains imperative that members be mindful of the many schemes, scams and tactics used by criminals to obtain personal financial information.

In the past, the Credit Union focused most of its marketing efforts at the store level, working to encourage new store employees to join. We also put a strong emphasis on growth through the increased usage of credit union services by existing members. As part of the Credit Union's new marketing and business strategy, additional emphasis has been placed on maintaining member accounts when a store is closed or sold, growth through family members and the alignment of products and services that will allow us to achieve growth and profitability objectives by attracting and keeping new generations of credit union members.

We encourage our members to use on-line bill pay and e-statements as they look for ways to "go green". Usage of these popular services helps lower the Credit Union's operating expenses through decreased paper, processing and postage expenses. We continually review ways to improve our members' on-line experience as well as ways to make all products and services more member friendly, efficient and convenient.

As TruGrocer enters its 43rd year of operation, we express gratitude to our members for their continued support, confidence and trust. Trust is the basis for all relationships, and this is especially true of the relationship our members have with TruGrocer. The principles of credit union philosophy are even more relevant today, as we face the biggest financial crisis in U.S. history, and we will continue to work hard to earn your trust.

We'd like to thank our volunteer Board of Directors and Supervisory Committee for the numerous hours they contribute, our grocery and supermarket employers who partner with the Credit Union to provide great employee benefits to their associates, and our enthusiastic and service oriented staff, who through their dedication to providing superior member service keeps the Credit Union thriving. On behalf of the Board of Directors, committees and staff, we extend our thanks to everyone who helped make 2008 another successful year and to our members and grocery partners for their continued support and loyalty.

TruGrocer Federal Credit Union Uniting the Grocery Family with Real Financial Value

Phyllis A. Adkins
President & CEO

Robert P. Baker
Chairman

Michael T. Shalz
Treasurer

financial Highlights

	2008	%Change	2007	%Change	2006
Loans	\$ 77,041,253	-4.3%	\$ 80,479,909	-2.4%	\$ 82,449,009
Members' Savings	\$163,091,942	-0.9%	\$164,561,469	9.5%	\$150,235,073
Cash and Investments	\$125,745,962	3.4%	\$121,624,489	19.2%	\$101,993,051
Total Assets	\$208,324,860	0.4%	\$207,584,321	9.3%	\$189,941,816
Capital and Reserves	\$ 44,871,704	5.6%	\$ 42,501,174	8.0%	\$ 39,358,022
Gross Income	\$ 12,740,006	-9.8%	\$ 14,125,017	9.2%	\$ 12,930,639
Net Income	\$ 2,352,535	-26.2%	\$ 3,187,950	0.5%	\$ 3,173,038
Dividends Paid	\$ 3,860,483	-16.4%	\$ 4,618,911	31.6%	\$ 3,509,068
Number of Members	36,367	-4.2%	37,978	-5.5%	40,192

Statement of financial Condition (as of December 31st)

	2008*	2007*	2006*
ASSETS			
Cash and Equivalents	\$ 13,890,393	\$ 21,719,974	\$ 28,371,617
Investments	111,855,569	99,904,515	73,621,434
Loans to Members—Net	76,418,304	79,874,955	81,799,257
Accrued Interest Receivable	784,097	638,768	534,086
Property and Equipment—Net	3,470,072	3,604,705	3,656,784
Other Assets	1,906,425	1,841,404	1,958,638
	\$ 208,324,860	\$ 207,584,321	\$ 189,941,816
LIABILITIES			
Notes Payable	\$ 0	\$ 0	\$ 0
Dividends Payable	169,696	261,766	246,016
Other Liabilities	814,467	864,866	752,457
SHARES			
Share Accounts	163,091,942	164,561,469	150,235,073
Total Liabilities and Shares	164,076,105	165,688,101	151,233,546
MEMBERS' EQUITY			
Regular Reserves	2,567,248	2,567,248	2,567,248
Undivided Earnings	41,681,507	39,328,972	36,141,022
Total Members' Equity	44,248,755	41,896,220	38,708,270
	\$ 208,324,860	\$ 207,584,321	\$ 189,941,816

Statement of earnings (as of December 31st)

	2008*	2007*	2006*
INTEREST INCOME:			
Interest on Loans	\$ 5,038,978	\$ 5,083,017	\$ 5,150,473
Interest from Investments	4,917,849	5,989,731	4,461,019
	9,956,827	11,072,748	9,611,492
Dividend and Interest Expense	3,860,483	4,618,911	3,509,068
NET INTEREST INCOME	6,096,344	6,453,837	6,102,424
Provision for Loan Losses	367,502	200,453	213,191
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,728,842	6,253,384	5,889,233
Fees and Other Revenues	2,783,179	3,052,269	3,319,147
OPERATING EXPENSES:			
Compensation and Benefits	2,642,664	2,525,772	2,268,341
Other Operating Expenses	3,559,381	3,647,481	3,784,627
	6,202,045	6,173,253	6,052,968
NON-OPERATING INCOME/EXPENSES:			
Provision for (Recovery of) Investment Loss	0	0	(17,629)
Other Non-Operating (Income)/Expense	(42,584)	0	0
Disposition of Assets	25	(55,550)	3
NET EARNINGS	\$ 2,352,535	\$ 3,187,950	\$ 3,173,038

*Taken from Audited Financial Statements