

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 2010. 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, 2010 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.

Matt McKinlay, Chairman
Supervisory Committee

Supervisory Committee

Matt McKinlay, Chairman
Michele Koci

John McMurdie
Dave Mulcock

Credit Union Officials and Management Staff

Phyllis Adkins, President & CEO
Michael S. Vickery, Sr. Vice President & COO
D. Jack Snow, Vice President, Business Development
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
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
Doug Gibson, Secretary
Kevan Fenderson

Cynthia Forsch
Pradip Mehta
Gary Morton
Doyle Troyer

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
ZashPay Person-2-Person Payments

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
\$500,000 per member
-- no charge to members
On-line Loan Applications
Home Equity Lines-of-Credit (HELOC's)
eDeposit

*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

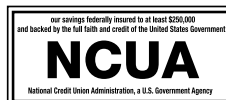
Los Angeles Branch
341 E. Imperial Hwy.
Fullerton, CA 92835
(714) 738-4681

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2010 Annual Report

looking forward



TruGrocer
FEDERAL CREDIT UNION

Just for you

Management Report

The past year was notably successful, as the Credit Union recovered from the aftershocks of the economic turmoil of 2009. While we continue to feel the recession's effects, and traverse through challenging and fragile economic conditions, we are very pleased with our financial performance in 2010. The road to economic recovery appears to be long and uneven, but TruGrocer Federal Credit Union remains one of the strongest financial institutions in the country.

TruGrocer had \$1.3 million in net income for 2010, after paying a National Credit Union Administration (NCUA) Share Insurance Premium of \$203,000 and a Corporate Credit Union Stabilization Fund assessment to NCUA of \$222,000. As the NCUA stabilizes the corporate credit union system and maintains the strength of the National Credit Union Share Insurance Fund, all federally insured credit unions will continue to pay these fees. While frustrating that we must contribute such a large sum, the fees demonstrate the principle behind the cooperative philosophy of credit unions; the Credit Union system takes care of its own, without relying on taxpayer dollars.

Strong earnings in 2010 put the Credit Union's Net Worth Ratio (NWR), a calculation used by the NCUA to determine a credit unions financial strength, at 20.3%. Nationally, credit unions of comparable asset size have an average NWR of 10.2% and the NCUA requires a credit union to have a 7.0% NWR to be considered "well capitalized". While capital ratios at many other credit unions declined in 2010, TruGrocer's increased and remained nearly twice the peer group average. A strong capital position lessens the impact of a weak economy and changing interest rates on earnings, while increasing member confidence.

TruGrocer ended the year with \$224 million in assets, a 1.8% increase over 2009, and members' savings grew to \$177 million, a 1.5% increase. Growth rates have declined, as interest rates decline, and many members are paying off their loans and credit card balances with savings dollars, putting themselves in a better financial position should they face a job loss or a reduction in hours.

Member loans were at \$69 million at year-end, a 7.2% decrease from 2009. There has been a fundamental shift in consumers' view of borrowing and our members are demonstrating little appetite to take on additional debt. Reduced loan demand has a significant impact on earnings, especially with low investment rates, and the Credit Union needs to continue to attract more members in their peak borrowing years – age 25 to 44 – and attract even younger ones – age 18 to 24 – to have future borrowers. Thankfully, the Credit Union did not have any losses in 2010 resulting from real estate loan foreclosures, and loan losses in general were down from the previous year.

The past year was one of the worst in terms of regulatory compliance demands on credit unions, and regulatory reform that effects operations and future earnings. Credit unions were not successful in getting their message across to Congress that they do not pose a systemic risk to the financial system and therefore should not be included in legislation designed to deal with institutions that do pose a risk. Financial reform has focused on consumer protection, and TruGrocer is, and has always been, a consumer-oriented and consumer-friendly institution. We anticipate additional governmental intervention and scrutiny in the future, even though credit unions have not caused the problems affecting the financial marketplace.

Attracting new members during the current economic climate has been difficult, increasing the importance of strengthening relationships with existing members. Member-friendly practices, value-oriented services, innovative payment systems and convenience are at the heart of the Credit Union's relationship with its members and the ability to attract and retain accounts. Increased demand for electronic banking services is driven by convenience, and convenience is now defined as consistently delivering a superior member service experience across all delivery channels. Members expect to be able to access their financial data in real time and on their terms and schedules, and we proactively seek ways to help members save time and money.

The Credit Union needs to have electronic banking solutions that attract young adults and tech-savvy members of all ages, and credit union staff spent most of 2010 developing and implementing a new innovative service, eDeposit, to help build stronger member relationships and reduce/control Shared Branch Network expenses. Usage of TruGrocer's suite of electronic services is a key to the Credit Union's profitability, as it allows for a reduction in operating expenses while also meeting member demand for greater convenience.

Young people offer great potential as users of the Credit Union's products and services if we can attract them through the use of technology. We have added a person-to-person payment feature to our Bill Payer product, called ZashPay, which offers a secure exchange of money between individuals and a text message alert system is under development. Mobile communications and social networking are among the hottest topics in finance right now and the Credit Union will be working on ways to use this innovative technology to benefit the membership during 2011, while keeping security implications a priority.

In 2010, TruGrocer continued its commitment to lowering costs and improving efficiency. Other Operating Expenses dropped 2.0% from 2009 to 2010 even after paying the \$425,000 to the NCUA. The Credit Union experienced a considerable increase in the usage of its suite of electronic services in 2010 and usage of these popular services will continue to lower operating expenses, which in turn allows the Credit Union to offer better loan and savings rates, develop new products and services and minimize service fees.

As TruGrocer enters its 46th year of operations, it is positioned well for the future, even amid many economic uncertainties. However, to be successful in the future, we must have vision today. Credit unions are receiving excellent national and local media coverage for their ability to serve consumers at a fair price, giving credit unions numerous opportunities to attract and successfully serve members. We intend to seize those opportunities. TruGrocer will be here, providing superior financial products and services, as members seek refuge with a trusted financial provider.

We thank you for your business, for your trust and for your loyalty to TruGrocer. We know that you have many options when selecting a financial service provider and we work hard to be the provider of choice. On behalf of the Board of Directors, committees and staff, we also extend our thanks to everyone who helped make 2010 a successful year and to our grocery partners for their continued support.

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

| | 2010 | %Change | 2009 | %Change | 2008 |
|----------------------|---------------|---------|---------------|---------|---------------|
| Loans | \$ 69,380,172 | -7.2% | \$ 74,750,941 | -3.0% | \$ 77,041,253 |
| Members' Savings | \$177,418,287 | 1.5% | \$174,857,767 | 7.2% | \$163,091,942 |
| Cash and Investments | \$143,070,417 | 2.3% | \$139,787,365 | 11.2% | \$125,745,962 |
| Total Assets | \$223,932,848 | 1.8% | \$219,870,396 | 5.5% | \$208,324,860 |
| Capital and Reserves | \$ 45,919,825 | 2.8% | \$ 44,661,461 | -0.5% | \$ 44,871,704 |
| Gross Income | \$ 9,885,271 | -14.0% | \$ 11,492,227 | -9.8% | \$ 12,740,006 |
| Net Income | \$ 1,329,270 | P | \$ (165,573) | L | \$ 2,352,535 |
| Dividends Paid | \$ 1,818,032 | -34.8% | \$ 2,788,290 | -27.8% | \$ 3,860,483 |
| Number of Members | 33,178 | -5.3% | 35,050 | -3.6% | 36,367 |

Statement of financial Condition (as of December 31st)

| | 2010* | 2009* | 2008* |
|------------------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | |
| Cash and Equivalents | \$ 29,792,424 | \$ 24,080,229 | \$ 13,890,393 |
| Investments | 113,277,992 | 115,707,136 | 111,855,569 |
| Loans to Members—Net | 68,872,799 | 74,172,662 | 76,418,304 |
| Accrued Interest Receivable | 370,743 | 483,277 | 784,097 |
| Property and Equipment—Net | 3,376,889 | 3,496,022 | 3,470,072 |
| Other Assets | 8,242,001 | 1,931,070 | 1,906,425 |
| | \$ 223,932,848 | \$ 219,870,396 | \$ 208,324,860 |
| LIABILITIES | | | |
| Notes Payable | \$ 0 | \$ 0 | \$ 0 |
| Dividends Payable | 69,080 | 89,542 | 169,696 |
| Other Liabilities | 1,033,029 | 839,905 | 814,467 |
| SHARES | | | |
| Share Accounts | 177,418,287 | 174,857,767 | 163,091,942 |
| Total Liabilities and Shares | 178,520,396 | 175,787,214 | 164,076,105 |
| MEMBERS' EQUITY | | | |
| Regular Reserves | 2,567,248 | 2,567,248 | 2,567,248 |
| Undivided Earnings | 42,845,204 | 41,515,934 | 41,681,507 |
| Total Members' Equity | 45,412,452 | 44,083,182 | 44,248,755 |
| | \$ 223,932,848 | \$ 219,870,396 | \$ 208,324,860 |

Statement of earnings (as of December 31st)

| | 2010* | 2009* | 2008* |
|--|---------------------|---------------------|---------------------|
| INTEREST INCOME: | | | |
| Interest on Loans | \$ 4,255,078 | \$ 4,676,396 | \$ 5,038,978 |
| Interest from Investments | 2,718,947 | 3,975,779 | 4,917,849 |
| | 6,974,025 | 8,652,175 | 9,956,827 |
| Dividend and Interest Expense | 1,818,035 | 2,788,315 | 3,860,483 |
| NET INTEREST INCOME | 5,155,990 | 5,863,860 | 6,096,344 |
| Provision for Loan Losses | 232,382 | 370,202 | 367,502 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 4,923,608 | 5,493,658 | 5,728,842 |
| Fees and Other Revenues | 2,911,247 | 2,840,053 | 2,783,179 |
| OPERATING EXPENSES: | | | |
| Compensation and Benefits | 2,919,207 | 2,743,649 | 2,642,664 |
| Other Operating Expenses | **3,587,780 | **3,661,348 | 3,559,381 |
| | 6,506,987 | 6,404,997 | 6,202,045 |
| NON-OPERATING INCOME/EXPENSES: | | | |
| Extinguished Capital at WesCorp FCU | 0 | 2,093,656 | 0 |
| Other Non-Operating (Income)/Expense | 0 | 0 | (42,584) |
| Disposition of Assets | (1,402) | 631 | 25 |
| NET EARNINGS | \$ 1,329,270 | \$ (165,573) | \$ 2,352,535 |

*Taken from Audited Financial Statements

**Includes NCUA Assessments