

building on your success



2012 MANAGEMENT REPORT

TruGrocer Federal Credit Union had another solid year in 2012, despite economic challenges that many of our members and grocery partners continue to face. TruGrocer remains a sound financial institution, able to provide quality products and services to its members. Continued earnings helped push the Credit Union's Net Worth Ratio to over 21.0%, three times the National Credit Union Administration's (NCUA) 7.0% requirement to be considered "well capitalized". This strong performance has earned TruGrocer the BauerFinancial (an independent company that analyzes the performance of banks and credit unions) 5-Star superior rating for the past 21 consecutive years! TruGrocer is committed to helping members achieve their financial goals, not only through providing exceptional member service and understanding the needs of grocery workers and their family members throughout the United States, but also by providing a safe, secure and solid financial institution to meet those needs.

TruGrocer continually strives to provide financial products and services that simplify members' lives to help members meet their goals and realize their dreams. We look for ways to make our products and services more valuable, more secure, more efficient and easier to use while also looking for ways to decrease operating expenses by participating in and implementing eco-friendly and technology based solutions to streamline processes. While TruGrocer was able to reduce operating expenses by a respectable 1.8% from 2010 to 2011, a material reduction of 8.0% occurred from 2011 to 2012, marking the third year in a row of reduced operating expenses and making 2012's operating expenses the lowest they have been since 2005. We will continue to fine tune operations to improve the bottom line.

Throughout 2012, while many banks, and even other credit unions, were increasing and implementing service fees and minimum balance requirements on their checking account and debit card programs, TruGrocer remained the low-cost alternative: NO per check or per transaction charges, NO monthly service fees, NO fees for face-to-face transactions, NO fees to transfer funds between accounts and NO minimum balance requirements! Besides delivering exceptional value and service to our members, TruGrocer is set apart from the competition through its unique ability to provide deposit insurance in excess of the federal deposit insurance limit of \$250,000. At TruGrocer, each member is insured up to \$500,000 due to an additional \$250,000 in deposit insurance, offered at no cost to members, through private insurance provider Excess Share Insurance (ESI).

A strong balance sheet enables TruGrocer to serve members well, even as the financial services industry grows more competitive, complex and heavily regulated. Total Assets were \$226 million at year-end, a 1.2% increase over 2011. Members' Savings were nearly \$177 million, a 0.3% increase over 2011, Cash and Investments were \$146 million, a 2.9% increase over 2011 and Loans were at \$68 million, a 2.3% decline from 2011.

The lack of high quality investment alternatives, coupled with low investment yields, continues to put pressure on the Credit Union's Net Income. Net Income was \$390,000 for 2012, which includes a fee assessed to all federally insured credit unions by the NCUA to cover losses incurred by non-natural person credit unions during the past few years of economic turmoil. TruGrocer's portion of the fee was \$161,000 for 2012. Net Income, excluding the fee, would have been \$551,000 for 2012.

Sustained focus on prudent balance sheet management, along with deliberate cost management practices, have been instrumental in allowing TruGrocer to maintain competitive loan rates and offer dividend rates that surpassed the national average during 2012. As market rates continued to decline during the year, TruGrocer maintained that delicate balance of keeping both deposit and loan rates competitive for our members. We recognize that many of our members are no longer in the borrowing stage of their lives, and dividend rates are important to them, however it is important to let loan volumes drive deposit rates to protect the Balance Sheet.

Increasing loans remains one of TruGrocer's greatest challenges amid economic uncertainty and a sluggish economic recovery. A strong focus on promoting loans to existing and new members through a variety of communication strategies will help TruGrocer maintain profitability and grow the membership. In these challenging economic times, adherence to consistent lending fundamentals and maintaining a diverse loan portfolio, geographically dispersed across the United States, has been vital to ensuring that the Credit Union continues to meet member needs now and in the future.

While we strive to build on providing the personalized service that many of our members embrace, TruGrocer continues to utilize technology advancements to add new and improved access channels to meet evolving financial service requirements. To enhance service delivery, security improvements were implemented during the year and will be implemented from time-to-time to protect our members in an environment that continues to witness the growth of electronic crime and fraud related activities.

Growing the membership with members who will use TruGrocer as a primary financial institution continued to be a focus during 2012, albeit a challenging one. Consolidations and cost cutting measures in the grocery industry heavily impact the Credit Union's ability to grow the membership, but the expansion and addition of grocery partners during 2012 is expected to reverse this trend. There was net membership growth of 398 members in 2012, but this is attributed to the addition of 2,500 members through the acquisition of the Shaw's Employees Federal Credit Union.

TruGrocer spent the majority of the year working out the details of a merger with the Shaw's Employees Federal Credit Union, located in Wells, Maine, completing the acquisition on November 1st. The acquisition increased the number of TruGrocer operated branch offices to six and allows TruGrocer to expand operations into the North East and reach out to more potential members. The merger also contributed \$1.6 million to TruGrocer's equity, after merger related expenses were recorded.

As we look forward to 2013, we are hopeful for job growth in the grocery industry and growth among our grocery partners, which will help grow the Credit Union and help build loans as members become more confident in the economy and in their own personal financial situations. Strategic priorities for 2013 will be to utilize and capitalize on technology solutions to maximize and improve service, product delivery and access points to member accounts. Electronic signatures for loan documents, which will speed up loan processing, will be implemented in early 2013 and members should expect to see a redesign of TruGrocer's website, with more intuitive navigation, by the end of the year.

Growth will bring change, but our commitment to our membership will never waiver. Our members and our grocery partners are our priority; providing reliable, secure, valuable member service and an employee benefit that meets the unique needs of the grocery industry. We are proud to be part of an organization that for over 47 years has maintained its fundamental business philosophy of quality service, financial value, sound business practices that insure strength and a commitment to the grocery industry and its employees.

Your steadfast support of TruGrocer allows us to make a real difference in the lives of those we serve. TruGrocer's Board of Directors and staff are proud to participate in the success of our members and in the success of our grocery partners. We thank our members for their loyalty and our grocery partners for their continued cooperation and support of TruGrocer as a valuable employee benefit.

	(as of December 31st)	2012*	2011*	2010*
ASSETS				
Cash and Equivalents	\$	23,550,857	\$ 24,322,638	\$ 29,792,424
Investments		122,847,157	118,015,286	113,277,992
Loans to Members—Net		67,512,439	69,070,919	68,872,799
Other Real Estate Owned (OREO's)		355,405	94,632	0
Accrued Interest Receivable		276,683	340,794	370,743
Property and Equipment—Net		3,082,684	3,267,279	3,376,889
Other Assets		8,793,838	8,600,487	8,242,001
		\$ 226,419,063	\$ 223,712,035	\$ 223,932,848
LIABILITIES				
Notes Payable	\$	0	\$ 0	\$ 0
Dividends Payable		29,124	46,764	69,080
Other Liabilities		1,552,680	1,285,531	1,033,029
SHARES				
Share Accounts		176,855,940	176,383,342	177,418,287
Total Liabilities and Shares		178,437,744	177,715,637	178,520,396
MEMBERS' EQUITY				
Regular Reserves		2,567,248	2,567,248	2,567,248
Undivided Earnings		45,414,071	43,429,150	42,845,204
Total Members' Equity		47,981,319	45,996,398	45,412,452
		\$ 226,419,063	\$ 223,712,035	\$ 223,932,848

	(as of December 31st)	2012*	2011*	2010*
INTEREST INCOME:				
Interest on Loans	\$	3,524,421	\$ 3,847,570	\$ 4,255,078
Interest from Investments		1,269,015	1,911,154	2,718,947
		4,793,436	5,758,724	6,974,025
Dividend and Interest Expense		871,496	1,352,842	1,818,035
NET INTEREST INCOME		3,921,940	4,405,882	5,155,990
Provision for Loan Losses		194,299	188,242	232,382
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		3,727,641	4,217,640	4,923,608
Fees and Other Revenues		2,546,221	2,758,178	2,911,247
OPERATING EXPENSES:				
Compensation and Benefits		2,958,625	3,099,385	2,919,207
Other Operating Expenses		2,922,529	3,292,485	3,587,780
		5,881,154	6,391,870	6,506,987
NON-OPERATING INCOME/EXPENSES:				
Other Non-Operating (Income)/Expense		2,391	0	0
Disposition of Assets		27	2	(1,402)
NET EARNINGS		\$ 390,290	\$ 583,946	\$ 1,329,270

*Taken from Audited Financial Statements

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 2012. 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, 2012 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

BOARD OF DIRECTORS

Robert P. Baker, Chairman	Doug Gibson, Secretary	Pradip Mehta
Bill Carter, Vice Chairman	Kevan Fenderson	Michele Koci
Michael T. Shalz, Treasurer	Cynthia Forsch	Doyle Troyer

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
 Ken Smith, Director, Technology Development & Loss Prevention
 Ann Cargile, Loan Servicing Supervisor
 Denise Bardwell, Orlando and Wells Branch Manager
 Chalyce Ward, Dallas/Fort Worth Branch Manager
 Laura Sotelo, Los Angeles Branch Manager

SUPERVISORY COMMITTEE

Matt McKinlay, Chairman	John McMurdie
Jeff Kleveland	Devon Hart

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
 Pre-paid VISA TravelMoney
 Discount Movie Tickets**
 Free Home Banking CU OnLine
 Drive Through Window**
 Quick Cash Dispensing Machines**
 Electronic Statement Delivery
 Pay Advance Lines-of-Credit
 Popmoney Person-2-Person Payments
 Free Cashiers Checks
 ATM/Point-of-Sale/MasterCard Debit
 COOP ATM Network
 VISA Gift Cards

Safe Deposit Boxes*
 VISA Credit Cards with 1% Purchase Rebate
 Account Access through the CU Service Centers Network
 Personal Loans
 Real Estate Loans
 Home Improvement Loans
 Automobile Loans
 RV Loans
 Stock Loans
 Credit Disability Insurance
 Credit Life Insurance
 Lifetime & Family Membership
 Roth IRA's
 Free Notary Service**
 Toll Free Electronic Teller "ET"
 Guaranteed Asset Protection (GAP)
 Mechanical Breakdown Protection (MBP)
 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 -- make check deposits from home
 txtAlerts -- text message alerts to mobile devices

*Available Boise Only

** Available at Some Locations



National Service Locations

Boise Main Branch P.O. Box 8145 Boise, ID 83707 (208) 385-5200	Los Angeles Branch 341 E. Imperial Hwy. Fullerton, CA 92835 (714) 738-4681	Wells Branch 205 Spencer Drive Wells, ME 04090 (207) 646-4989
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Dallas / Fort Worth Branch
1327 Brown Trail
Bedford, TX 76022
(817) 285-8292

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

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