

we have
what it
takes...



2013 Management Report

The financial landscape has proven to be unpredictable and ever-changing the past few years, but amidst slow economic recovery, increased government regulation and compressed interest rates, TruGrocer Federal Credit Union remains strong and safe; committed to the grocery industry and in helping members achieve their goals and financial dreams.

The Credit Union ended the year with \$224 million in Assets. This is a decrease of \$2.1 million from year-end 2012, but an important consideration is 2013's year-end day of the week. Payroll deposits from our Grocery Partners are posted Wednesday – Friday, so with December ending on a Tuesday, Assets were at a low point. When this occurs, it's best to look at Average Assets to gauge performance. Average Assets for 2013 were \$229 million, up \$3.5 million from 2012's Average Assets, indicating "real" Asset growth.

The low rate environment continues to challenge savers, but creates incredible opportunities for borrowers, young and old, to reduce their debt payments through refinancing. Member Loans, a number that has been difficult to grow the past few years, increased \$607,000 from 2012 to 2013 and there was improvement in the Credit Union's Loan-to-Share ratio from 38.4% in 2012 to 38.8% in 2013. Signs of better economic times ahead were evident in the number and amount of new and used vehicle loans made during 2013. The Credit Union originated \$13.8 million in new/used vehicle loans in 2013 to 868 members, compared to \$8.8 million to 616 members in 2012.

While the worst of the recession appears to be over, there are some lingering effects. Net Income remained tight throughout all of 2013, ending the year at \$212,000, which includes the fee assessed to all federally insured credit unions by the National Credit Union Administration (NCUA) to cover losses at Corporate Credit Unions. TruGrocer's portion of the fee was \$138,000 for 2013. Net Income, excluding the fee, would have been \$351,000. The good news going forward is that NCUA will not be assessing a fee in 2014, and there is an indication that there will be no future assessments.

Net Income may have declined in 2013, but other factors contribute to TruGrocer's strength. The Credit Union's Net Worth Ratio was 21.5% at year-end – twice the peer group average of 10.6% and three times the NCUA's 7.0% requirement to be considered "well capitalized". TruGrocer's Balance Sheet strength has kept it on BauerFinancial's 5-Star Superior Rating list for the past 22 consecutive years! Disciplined expense controls also helped the Credit Union remain profitable and TruGrocer's strong capital position allows it to operate safely and soundly, while returning its income to the membership in the form of lower loan rates, higher savings rates and low or no-fee products and services.

The quality of TruGrocer's loan underwriting and the expertise of our Loan Servicing Department helped keep loan losses to a minimum. The Credit Union's Delinquency Ratio (delinquent loans/total loans) was 0.44% at year-end; the peer group average is 1.05%. We work hard to assist members struggling financially to help them lower their monthly loan payments or get into more affordable transportation. Asset quality (both loans and investments) is important to keep the Credit Union viable and strong for the future.

Convenience remains at the top of the list when establishing a new relationship with a member, but potential members also look at product and service offerings. In 2013, the Credit Union completed technology upgrades to improve member service and convenience. The Website (www.trugrocer.com) was updated to make navigation more efficient and "CUOnline for Small Screens" (CUMobile) was implemented to make it easier for members to use their smartphones for basic account transactions. In the Loan Department, electronic document signing was put into operation to streamline the loan disbursement process. Other uses for electronic document signing are being evaluated as a means to further lower operating expenses.

TruGrocer Management will roll out a new program in 2014 called "On-Boarding". The objective of this program will be to attract and keep members, build member relationships and grow the membership through organic growth. The program will use target marketing to reach out to the membership and try to anticipate member needs based upon account activity, thereby growing account usage and maintaining accounts that might otherwise close.

Unlike a bank, at TruGrocer we believe that your financial partner should be there to improve your financial life, not try to sell you products and services you don't need in an effort to reach profit objectives for investors. Members want a financial institution that provides high quality service and support, acts in their best interest and makes conducting business easy (systems that are easy to use and work as advertised). To be the institution of choice for Gen X and Gen Y TruGrocer must offer the products they want, such as mobile deposit, person-to-person payments, eStatements and electronic bill pay. While the Credit Union currently has three of these four products, it plans to bring more innovations to the membership to make it more convenient to do business with us; **mobile banking apps for Android and iPhone will be made available in the second quarter of 2014.** Whether you embrace the electronic service tools that deliver convenience, or the more traditional service channels with human interaction, TruGrocer has what it takes! We want to personalize your member experience – keep up with the latest technology, but also offer the face-to-face contact many of our members have come to appreciate.

Since 1965, TruGrocer has grown and changed with the times. Because of the confidence our members have placed in us, we have been able to offer financial products and services you can trust for the past 48 years. We look forward to continuing this tradition in the years to come. TruGrocer will not waiver in its commitment to improve and simplify the financial lives of its members and grocery industry employees nationwide.

The pillars of TruGrocer's strength can be found in its hard working and loyal members, its supportive Grocery Partners, its volunteer Board and Supervisory Committee and its dedicated staff. **We have what it takes, our members have what it takes and our Grocery Partners have what it takes** to continually move forward, keep the Credit Union strong, and provide the financial services our membership requires.

Thank you for choosing TruGrocer Federal Credit Union; we are privileged to serve you!

	(as of December 31st)	2013*	2012*	2011*
ASSETS				
Cash and Equivalents	\$	15,324,930	\$ 23,550,857	\$ 24,322,638
Investments		128,346,065	122,847,157	118,015,286
Loans to Members—Net		68,236,832	67,512,439	69,070,919
Other Real Estate Owned (OREO's)		113,750	355,405	94,632
Accrued Interest Receivable		231,337	276,683	340,794
Property and Equipment—Net		2,881,153	3,082,684	3,267,279
Other Assets		9,139,473	8,793,838	8,600,487
		\$ 224,273,540	\$ 226,419,063	\$ 223,712,035
LIABILITIES				
Notes Payable	\$	0	\$ 0	\$ 0
Dividends Payable		24,882	29,124	46,764
Other Liabilities		1,286,829	1,552,680	1,285,531
SHARES				
Share Accounts		174,768,317	176,855,940	176,383,342
Total Liabilities and Shares		176,080,028	178,437,744	177,715,637
MEMBERS' EQUITY				
Regular Reserves		2,567,248	2,567,248	2,567,248
Undivided Earnings		45,626,264	45,414,071	43,429,150
Total Members' Equity		48,193,512	47,981,319	45,996,398
		\$ 224,273,540	\$ 226,419,063	\$ 223,712,035

	(as of December 31st)	2013*	2012*	2011*
INTEREST INCOME:				
Interest on Loans	\$	3,250,055	\$ 3,524,421	\$ 3,847,570
Interest from Investments		1,058,172	1,269,015	1,911,154
		4,308,227	4,793,436	5,758,724
Dividend and Interest Expense		601,526	871,496	1,352,842
NET INTEREST INCOME		3,706,701	3,921,940	4,405,882
Provision for Loan Losses		51,371	194,299	188,242
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		3,655,330	3,727,641	4,217,640
Fees and Other Revenues		2,615,611	2,546,221	2,758,178
OPERATING EXPENSES:				
Compensation and Benefits		3,091,351	2,958,625	3,099,385
Other Operating Expenses		2,948,441	2,922,529	3,292,485
		6,039,792	5,881,154	6,391,870
NON-OPERATING INCOME/EXPENSES:				
Other Non-Operating (Income)/Expense		18,956	2,391	0
Disposition of Assets		0	27	2
NET EARNINGS		\$ 212,193	\$ 390,290	\$ 583,946

*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 2013. 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, 2013 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	John McMurdie
Bill Carter, Vice Chairman	Cynthia Forsch	Pradip Mehta
Michael T. Shalz, Treasurer	Michele Koci	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
 Karen Borchert, Sr. Financial Accountant
 Denise Bardwell, Orlando Branch Manager
 Chalyce Ward, Dallas/Fort Worth Branch Manager
 Laura Sotelo, Los Angeles Branch Manager

SUPERVISORY COMMITTEE

Matt McKinlay, Chairman 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
 Free Travelers Checks
 Discount Movie Tickets**
 Free Home Banking CU OnLine
 Drive Through Window***
 Quick Cash Dispensing Machines**
 Electronic Statement Delivery
 eDeposit
 Pay Advance Lines-of-Credit
 Popmoney Person-2-Person Payments
 Free Cashiers Checks
 ATM/Point-of-Sale/MasterCard Debit

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)
 txtAlerts -- text messaging
 COMING SOON -- COOP Deposit Mobile

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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	Meridian Satellite Office 3335 E. Overland Road Meridian, ID 83646 (208) 385-5200

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