



mobilizing the membership

2017 MANAGEMENT REPORT

TruGrocer Federal Credit Union had an exciting year due to expanded capabilities after the modernization of software and electronic banking systems. It is rewarding to share the progress made in 2017, while sharing our vision for the year ahead.

Solid, managed growth continued in 2017 with Assets increasing from \$249 million to \$259 million, a 3.8% increase. Member Share Accounts increased to \$208 million, a strong 4.9% increase over 2016. Capital and Reserves, which includes Allowance for Loan Losses, reached \$50 million, putting the Credit Union's Capital-to-Asset ratio at 19.3%. TruGrocer's strong Capital and Reserves allows for maintaining a "LOWER and FEWER" fee structure, which is one of the Credit Union's primary differentiators, and your credit union has been on the BauerFinancial 5-Star Superior Rating List for the past 26 consecutive years!

Increased consumer confidence and pent-up loan demand helped grow loans in 2017, resulting in a \$2 million net increase over 2016. Member loyalty also keeps the ratio of delinquent-loans-to-total-loans significantly lower than other credit unions. With loan growth closely tied to economic factors it will be interesting to see the impact of potentially higher household net worth, rising interest rates and low unemployment on 2018's loan volumes. Rising interest rates typically discourage consumer borrowing but TruGrocer's Board of Director's kept loan rates very competitive during 2017 and hopes to keep them below market in 2018, as dictated by Asset/Liability Management strategies and policies.

Net Income declined in 2017, but was significantly higher than projected after making capital expenditures in 2016 to modernize systems. The biggest hit to Net Income was \$190 thousand in fraud losses during the year, mostly related to plastic card fraud, which increased Other Operating Expenses. Migration to EMV chip credit cards was completed in 2016, while migration to EMV chip debit cards began in 2017 and will be completed in the first quarter of 2018. EMV technology is currently one of the most effective tools your credit union can use to prevent plastic card fraud. That said, criminals are increasingly more aggressive, making it necessary to increase controls and enhance fraud detection processes and procedures.

While EMV chip technology will help control fraud losses, future fraud challenges persist with "card not present" fraud – online fraud where plastic is not swiped or inserted. While it is a top priority of TruGrocer to keep your data secure, whether in person, on the phone, or over the internet, members must be diligent in protecting their PIN's, passwords and card numbers. Please be patient as we take extra measures to validate your identity, deploy best-practice cybersecurity and authenticate your transactions, especially in the wake of the large credit reporting agency data security breach that occurred late in 2017.

As a not-for-profit financial cooperative, TruGrocer's earnings are returned to members in the form of LOWER and FEWER fees, lower loan rates and higher deposit rates. The Credit Union also invests in services, technology and security to bring even more value to the TruGrocer membership. We continually work at anticipating member needs and enhancing products and services. TruGrocer is dedicated to providing the highest standard of member service to grocery industry employees and their family members, and committed to making it easier for members to manage their money with effective tools. In 2017, after modernizing TruGrocer's electronic services, CU OnLine users increased by 14.2%, Bill Pay users increased by a whopping 64.0% and 61.5% of CU OnLine users actively use Mobile Banking!

In 2018 TruGrocer will expand and enhance the CU OnLine and Mobile Banking experience with responsive pages, along with money management and account aggregation capabilities. To help members stay on course with achieving their financial goals, TruGrocer will also offer credit score tracking for members with a Share Draft (checking) Account who also enroll in online or mobile banking services. The credit score feature will come with education about the importance of maintaining a strong credit score and how to improve that score, which will not only have a long-term positive impact on our members' financial health, but will help TruGrocer grow the loan portfolio.

While members have an "anytime" branch with their Smartphone, physical branch offices remain popular and are a catalyst to increased member service usage and a growing and diversified Grocery Partner base. With this in mind, TruGrocer will expand its branch presence with an office in Phoenix, Arizona, in the third quarter of 2018. The Credit Union will continue to monitor Shared Branch usage, and membership concentrations, to determine feasible future branch sites.

Many of you have placed your trust in TruGrocer for a long, long time and we thank you for your loyalty. Many of you are new to the TruGrocer family and we thank you for giving us the opportunity to earn your business. Not all financial institutions are created equal, and that goes for credit unions too! TruGrocer's 100% commitment to the grocery industry, to keeping operating costs low by mobilizing the membership, and to providing value that translates to members keeping more of their hard earned money is what we are all about... and we are truly unique in that respect.

A heartfelt thank you to our volunteer Board of Directors, Supervisory Committee and National Advisory Council for their vision and willingness to serve, to the Credit Union staff for their hard work and determination in creating value for Members, and to our growing list of grocery industry Partners, throughout the United States, who support the Credit Union as a valuable employee benefit. Today, Tomorrow and Together... we are making a difference!

statement of FINANCIAL CONDITION

statement of EARNINGS

(as of December 31st)

	2017*	2016*	2015*
ASSETS			
Cash and Equivalents	\$ 23,416,340	\$ 25,801,249	\$ 18,620,048
Investments	139,316,196	130,071,617	130,021,235
Loans to Members—Net	81,698,582	79,672,460	77,805,910
Accrued Interest Receivable	296,137	250,308	242,715
Property and Equipment—Net	3,090,020	3,291,433	2,706,787
Other Assets	11,057,067	10,215,519	9,911,047
	\$ 258,874,342	\$ 249,302,586	\$ 239,307,742
LIABILITIES			
Notes Payable	\$ 0	\$ 0	\$ 0
Dividends Payable	0	0	37,752
Other Liabilities	608,521	1,090,907	1,592,096
SHARES			
Share Accounts	208,365,055	198,684,822	188,588,902
Total Liabilities and Shares	208,973,576	199,775,729	190,218,750
MEMBERS' EQUITY			
Regular Reserves	2,567,248	2,567,248	2,567,248
Undivided Earnings	47,333,518	46,959,609	46,521,744
Total Members' Equity	49,900,766	49,526,857	49,088,992
	\$ 258,874,342	\$ 249,302,586	\$ 239,307,742

(as of December 31st)

	2017*	2016*	2015*
INTEREST INCOME:			
Interest on Loans	\$ 3,134,930	\$ 3,132,704	\$ 3,073,813
Interest from Investments	2,018,132	1,647,021	1,275,361
	5,153,062	4,779,725	4,349,174
Dividend and Interest Expense	800,960	684,436	613,407
NET INTEREST INCOME	4,352,102	4,095,289	3,735,767
Provision for Loan Losses	13,707	(148,838)	(130,632)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,338,395	4,244,127	3,866,399
Fees and Other Revenues	2,362,926	2,610,291	2,722,399
OPERATING EXPENSES:			
Compensation and Benefits	2,763,880	2,931,722	2,764,463
Other Operating Expenses	3,563,532	3,484,801	3,272,408
	6,327,412	6,416,523	6,036,871
NON-OPERATING INCOME/EXPENSES:			
Other Non-Operating (Income)/Expense	0	0	25,992
Disposition of Assets	0	30	0
NET EARNINGS	\$ 373,909	\$ 437,865	\$ 525,935

*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 2017. 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 balances, 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, 2017 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

Chair, Supervisory Committee

BOARD OF DIRECTORS

Robert P. Baker, Chairman	Doug Gibson, Secretary	Mark Lavin
Bill Carter, Vice Chairman	Cynthia Forsch	John McMurdie
Michele Koci, Treasurer	Peggy Jones	Pradip Mehta

CREDIT UNION OFFICIALS AND MANAGEMENT STAFF

Phyllis Adkins, President & CEO
 Michael S. Vickery, Sr. Vice President & COO
 Ken Smith, Associate Vice President, Technology
 Chris Demaray, Director, Member Service, Branch Operations & Human Resources
 Karen Dawson, Controllor
 Bryan Foreman, Loan Manager
 Ann Cargile, Loan Servicing Supervisor
 Leo Francis, Regulatory Compliance Officer
 Denise Bardwell, Orlando Branch Manager
 Chalyce Ward, Dallas/Fort Worth Branch Manager
 Laura Sotelo, Los Angeles Branch Manager
 Gail Machos, Meridian Branch Manager
 Claire Urquhart, Wells Branch Coordinator

SUPERVISORY COMMITTEE

Matt McKinlay, Chairman Jeff Kleveland Devon Hart Joel Monsen

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)
 Mobile Banking and Deposit
 Toll Free Electronic Teller "ET"
 Money Gram & Express Pay
 VISA Travel Money**
 VISA Gift Cards**
 Discount Movie Tickets**
 Home Banking CU OnLine
 Drive Through Window***
 ATM's/Deposit Taking**
 Account Access through the CU
 Service Centers Network
 Text Banking & Alerts
 Electronic Statement Delivery
 Apple Pay*

Safe Deposit Boxes*
 VISA Credit Cards with 1% Purchase Rebate
 Personal Loans
 Real Estate Loans
 Home Improvement Loans
 Automobile Loans
 Stock Loans
 RV Loans
 Credit Disability Insurance
 Credit Life Insurance
 Free Cashiers Checks
 Lifetime & Family Membership
 Roth IRA's
 Free Notary Service**
 CUNA Brokerage Services - TruStage
 Guaranteed Asset Protection (GAP)
 Mechanical Breakdown Protection (MBP)
 ATM/Point-of-Sale/MasterCard Debit
 Internet Home Page/Responsive Technology
 Free Bill Pay
 Excess Share Insurance Coverage up to
 \$500,000 per member - no charge to members
 On-line Loan Applications
 Pay Advance Lines-of-Credit
 Home Equity Lines-of-Credit (HELOC's)
 Popnoney Person-2-Person Payments

*Available Boise Only ** Available at Some Locations ***Available at Each Office, excluding Wells



National Service Locations

Main Office P.O. Box 8145 Boise, ID 83707 (208) 385-5200	Los Angeles Branch 341 E. Imperial Hwy. Fullerton, CA 92835 (714) 738-4681	Wells Satellite Office 205 Spencer Drive Wells, ME 04090 (207) 646-4989
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 Branch Office 3335 E. Overland Road Meridian, ID 83646 (208) 385-5200

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Additional coverage up to \$250,000 provided by Excess Share Insurance Corporation, a licensed insurance company.