



We've Delivered Since 1965...

Thank you Members for your support of TruGrocer... over 50 years of delivering secure financial services.

2018 MANAGEMENT REPORT

We are pleased to report that 2018 was another year of balanced growth and strong financial performance for TruGrocer Federal Credit Union. Our dedicated team of professionals sustained the momentum gained from the 2016/2017 modernization of the Credit Union's core operating systems.

On the financial front, TruGrocer's adherence to sound business practices was evident in 2018's key performance ratios. While Assets declined slightly, from \$259mm to \$257mm, the Credit Union saw record growth in Loans to Members, Gross Income, Net Income and Dividends paid to Members. Capital and Reserves increased by 2.0% over 2017, ending the year at \$51mm. Loans to Members increased by 12.1% over 2017, ending the year at \$92mm, a \$10mm increase. TruGrocer remains on the BauerFinancial 5-Star Superior Rating List, where it has been for the past 27 consecutive years.

Rising interest rates, and the subsequent increase in Investment Yield, contributed to improved earnings, as did the increased Loan volume and controlled Operating Expenses. The Credit Union's Net Income increased from \$374k in 2017 to \$1mm in 2018. Improved income allowed the Credit Union to continue one of its core commitments – lower and fewer fees - while increasing Dividend rates. Dividends paid to Members increased by \$312k.

The Credit Union's Capital-to-Asset Ratio improved by 54 basis points, ending 2018 at 19.9% and the Loan-to-Share ratio improved significantly, ending the year at 44.7%. Both of these key ratios exceeded 2018 Budget expectations.

TruGrocer had noteworthy achievements in 2018:

- The final mass re-issue of EMV Chip Debit Cards, which helped dramatically reduce Debit Card fraud losses and keep Operating Expenses under control;
- Implementation of Money Management software on CU OnLine and the mobile banking app to help Members set up a budget, track spending and monitor all of their accounts in one place;
- Approval from the National Credit Union Administration (NCUA) to expand the Credit Union's field of membership to include Grocery Wholesalers who are dependent upon Grocery Retailers;
- FICO® Credit Score availability through CU OnLine and the mobile banking app for Members with a Share Draft Checking Account;
- Financial education on understanding credit reports, the FICO® score and how lenders use the FICO® score available on line;
- Modernization of lending policies to better meet Member borrowing needs; and
- A new Branch Office in Phoenix to serve Arizona and New Mexico Members.

Ongoing initiatives continue to increase usage of TruGrocer services by existing Members, while reaching out to potential Members. CU OnLine usage is up to 43% of the membership, and of those Members using CU OnLine and the mobile app, 36% utilize the Bill Pay feature. Just six months after implementation, 1,250 Members are using Money Management and 1,630 Members have signed up for the FICO® Credit Score feature.

As we continue to move forward and position your Credit Union for the future, the implementation of card controls for Debit Card plastic, which allows Members to manage their plastic through CU OnLine and the mobile banking app, is planned for the 2nd quarter of 2019. This feature has many benefits, one being that it will help further reduce Debit Card fraud by allowing Members to turn their plastic "on and off". The same feature will be added for Credit Card plastic at a later date.

A focus for 2019 will be to continue to strengthen existing relationships with Grocery Partners and obtain new Partners, with outreach to Grocery Wholesalers through business development activities and participation in national grocery associations, some of which will feature TruGrocer electronic banner ads in addition to print ads in grocery association periodicals. Relationships with grocery employers, who then offer the Credit Union as an employee benefit, continues to be the most cost effective way to market TruGrocer services to grocery workers in the United States and their family members.

The last few years we have experienced profound social, economic and technological changes. TruGrocer has embraced these changes and has adapted to ensure long-term success. Your Credit Union has a remarkable heritage, a promising future and a Balance Sheet structured to weather volatile economic conditions.

Thank you for the trust you have placed in us, and for your loyalty to TruGrocer. We know there are numerous financial solutions available, and substantial competition for your business. We remain committed to our mission of providing outstanding service and value, best in class service delivery channels, great technology, lower and fewer fees, and competitive Loan and Dividend rates, all while delivering strong financial performance.

We'd also like to thank the Credit Union's committed and knowledgeable staff, our grocery industry Partners throughout the United States, and our volunteer Board of Directors, Supervisory Committee and National Advisory Council for their dedication and willingness to serve.

| | 2018* | 2017* | 2016* |
|------------------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | |
| Cash and Equivalents | \$ 21,035,096 | \$ 23,529,755 | \$ 25,801,249 |
| Investments | 129,077,970 | 139,202,781 | 130,071,617 |
| Loans to Members—Net | 91,641,353 | 81,698,582 | 79,672,460 |
| Accrued Interest Receivable | 365,191 | 296,137 | 250,308 |
| Property and Equipment—Net | 3,160,195 | 3,090,020 | 3,291,433 |
| Other Assets | 11,446,903 | 11,057,067 | 10,215,519 |
| | \$ 256,726,708 | \$ 258,874,342 | \$ 249,302,586 |
| LIABILITIES | | | |
| Notes Payable | \$ 0 | \$ 0 | \$ 0 |
| Dividends Payable | 0 | 0 | 0 |
| Other Liabilities | 624,135 | 608,521 | 1,090,907 |
| SHARES | | | |
| Share Accounts | 205,198,210 | 208,365,055 | 198,684,822 |
| Total Liabilities and Shares | 205,822,345 | 208,973,576 | 199,775,729 |
| MEMBERS' EQUITY | | | |
| Regular Reserves | 2,567,248 | 2,567,248 | 2,567,248 |
| Undivided Earnings | 48,337,115 | 47,333,518 | 46,959,609 |
| Total Members' Equity | 50,904,363 | 49,900,766 | 49,526,857 |
| | \$ 256,726,708 | \$ 258,874,342 | \$ 249,302,586 |

| | 2018* | 2017* | 2016* |
|------------------------------------------------------------|---------------------|-------------------|-------------------|
| INTEREST INCOME: | | | |
| Interest on Loans | \$ 3,356,588 | \$ 3,134,930 | \$ 3,132,704 |
| Interest from Investments | 2,976,269 | 2,018,132 | 1,647,021 |
| | 6,332,857 | 5,153,062 | 4,779,725 |
| Dividend and Interest Expense | 1,112,875 | 800,960 | 684,436 |
| NET INTEREST INCOME | 5,219,982 | 4,352,102 | 4,095,289 |
| Provision for Loan Losses | 109,203 | 13,707 | (148,838) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 5,110,779 | 4,338,395 | 4,244,127 |
| Fees and Other Revenues | 2,471,802 | 2,362,926 | 2,610,291 |
| OPERATING EXPENSES: | | | |
| Compensation and Benefits | 2,920,792 | 2,763,880 | 2,931,722 |
| Other Operating Expenses | 3,658,536 | 3,563,532 | 3,484,801 |
| | 6,579,328 | 6,327,412 | 6,416,523 |
| NON-OPERATING INCOME/EXPENSES: | | | |
| Other Non-Operating (Income)/Expense | 0 | 0 | 0 |
| Disposition of Assets | (344) | 0 | 30 |
| NET EARNINGS | \$ 1,003,597 | \$ 373,909 | \$ 437,865 |

*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 2018. 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, 2018 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.

Jeff Kleveland

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 | Matt McKinlay |

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, Controller
 Bryan Foreman, Loan Manager
 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 Manager
 Heston Charlton, Phoenix Branch Manager

SUPERVISORY COMMITTEE

Jeff Kleveland, Chairman Devon Hart Joel Monsen

NCUA Deposit Insurance
 Payroll Deduction
 Share Draft Checking
 Overdraft Protection -- Line of Credit
 Direct Deposit -- Government & Payrolls
 Savings Accounts
 Vacation & Christmas Club
 IRA's & Roth 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***
 Deposit Taking ATM's**
 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
 RV Loans
 Credit Disability Insurance
 Credit Life Insurance
 Free Cashiers Checks
 Lifetime & Family Membership
 Account Aggregation & Budgeting
 w/ Money Management
 Free Notary Service**
 CUNA Brokerage Services
 TruStage Insurance Products
 Guaranteed Asset Protection (GAP)
 Mechanical Breakdown Protection (MBP)
 ATM/Point-of-Sale/MasterCard Debit
 Internet Home Page - Responsive Technology!
 Free CU OnLine Bill Payer
 Excess Share Insurance Coverage up to
 \$500,000 per member - no charge to members
 On-line Loan Applications
 Pay Advance Lines-of-Credit - new, higher limits!
 Home Equity Lines-of-Credit (HELOC's)
 Popmoney Person-2-Person Payments
 FICO Credit Score Availability

*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 | Orlando Branch 3305 Lake Breeze Dr. Orlando, FL 32808 (407) 292-2006 | Wells Satellite Office 205 Spencer Drive Wells, ME 04090 (207) 646-4989 | Phoenix Branch 4961 W. Bell Road, Ste. B6 Glendale, AZ 85308 (602) 978-9408 |
| 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 | Meridian Branch Office 3335 E. Overland Road Meridian, ID 83646 (208) 385-5200 | |

Over 5,000 Shared Branches Nearly 30,000 ATMs

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The Member-Friendly Financial Network

www.trugrocer.com

