

CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Independent Employers Group Federal Credit Union

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|--------------------------------|---------------------|--------------------------------------------------------|--------|
| Point of Contact: | Bernard Balsis, Jr. | RSSD: (For Bank Holding Companies) | 0 |
| UST Sequence Number: | 1451 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 698,000 | FDIC Certificate Number: (For Depository Institutions) | |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | 5628 |
| Date Funded (first funding): | September 29, 2009 | City: | Hilio |
| Date Repaid ¹ : | N/A | State: | Hawaii |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

- Increase lending or reduce lending less than otherwise would have occurred.**
 By concentrating in how to deploy assets to the community we have been able to increase loans in 2011. Even with the amount of increase being small, we consider this excellent as the market for loans has shrunk and the amount available to the community from all institutions has grown.

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To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

We have been able to increase lending mostly in real estate backed loans and small/micro business lending. The former saw more growth. The latter is new for IEG. Some loans made to individuals were for the purpose of building new or existing businesses.

Increase securities purchased (ABS, MBS, etc.).

Make other investments.

We were able to have a positive arbitrage on the CDCI investment. This gave us the ability to lend our own funds while maintaining ample cash to support operations.

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Increase reserves for non-performing assets.

Reduce borrowings.

Increase charge-offs.

Because of our temporarily improved capital adequacy, we were confident in cleaning up certain aspects of our loan portfolio that came to light in the poor economy. As we head into a slowly improving economy, we now have the ability to improve and may plan for some early repayments.

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Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

This was the main reason and effect of the CDCI investment. IEG FCU has had the time to improve balance sheet management, expand lending services and begin to improve its capital position net of the CDCI investment.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We were able to have time to regroup and build our own capital through the normal channels of net revenues and proper balance sheet management. Presently IEG FCU has increased its capital to 7.38%. At one point in 2009 we were at 7.00%, and did not know if we were going to fall below this benchmark for capital adequacy. We did not. In 2010 we continued to have a poor year because of the economic downturn. Nevertheless we did improve our lending and grew loans. We did begin to do small business loans and have revamped our mortgage loan goals and objectives within regulatory guidelines. The CDCI investment has given us the time we need to have good capital adequacy while we go through our restructuring and put in place improved methods of balance sheet management and expanding lending opportunities that also help the macro-picture of economic development in our community field of membership.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We were able to concentrate our efforts on the expansion of lending opportunities for our socio-economic environment, rather than put out brush fires relating to a poor capital position. This small Credit Union, as of 2/17/2012, has only 6 employees. We need to concentrate our efforts on our future success in serving the financial needs of our community, not scrambling to satisfy our examiners who emphasize capital adequacy (justly so). We were able to sit down, come up with new ideas, work on and implement those ideas into positive actions. We were able to work with our regulators to look forward to the cooperatives success, rather than survival.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

As mentioned above we have been able to concentrate efforts on the success of the cooperative. Examples of new products that have helped our community are:1. Small business loans. New policies were approved in late 2010 and small business lending began in 2011.2. By concentrating on balance sheet management we came up with new real estate lending strategies which led to increased real estate lending, improving the loan portfolio performance.