

REPORT OF THE BOARD OF DIRECTORS

IEG FCU recorded one of its better performances in recent years in 2003. When comparing actual 2003 results with the 2002 actuals, we show growth in all categories except membership. As we expected, the economy in Hawaii remained somewhat flat for 2003. Unfortunately, what we had hoped would be the year in which investment certificates would rise, we saw further reduction in rates consequently requiring us to lower dividend rates paid to our members. Although rates were lowered, we continue to remain competitive as shown in our increase in share and asset growth.

Our field of membership has been on a steady decline. We have addressed this concern year after year, but the numbers are still on a downward trend. One of the problems as a select employers group credit union is we can only increase members from our present membership base, including family members, or by adding new employer companies. Unlike a community based credit union, we cannot solicit the general public. The shutdown of a lot of member companies the past few years, has definitely contributed to the lack of new members. We ask for your help in our recruiting efforts by convincing your family members of the advantages in joining our credit union.

We continue to upgrade services offered to our members through information technology. Our WEB page has the ability to do loan applications, reorder checks, interactive coaches to help with your personal financial needs, and a site for children and young adults. Effective March 1, 2004 members will have the option to access their bank statements via the Internet.

In keeping with our philosophy of offering lower loan interest rates to our loyal members, the board has increased the qualifying services from 10 to 13 services. As most of you should know by now, you can qualify for lower interest rates on loans by participating in qualifying services with your credit union. For example, nine or more services will lower the loan rate by 1.5%. Don't overlook this money saving benefit.

Your Board is in the process of reviewing the current format for our Annual Meeting. We have a long history of very successful, well- attended annual meetings that provided a dinner, short business meeting, election of officials, entertainment, and door prizes. Over the years, our membership participation has diminished considerably and our Board is trying to determine how best to accomplish the administrative needs for an annual meeting and the participation of our credit union members while keeping the cost of such meetings as reasonable as possible.

We believe that we can better use the dollars spent on the current dinner format in a more meaningful way to accomplish the objectives of our credit union to the benefit of all IEG members. As such, next year, the annual meeting format will take on a different approach that is yet to be determined by your Board. To assist us with our plans, we encourage your suggestions and recommendations to the Board as we develop this new format. Please let Jean Matsumoto or any of the Board Members know your thoughts regarding this matter by May 1, 2004. Your support and understanding is very much appreciated.

On behalf of the Board of Directors, Management and Staff of IEG FCU, we appreciate the opportunity to serve you, our members. We look forward to your continuing support, loyalty, and trust in the future.

Delmar B. Kleckner, Chair
Gerald T. Nagata, Vice - Chair
Evangeline E. Lorenzo-Erece, Secretary

Gerald F. Sato, Treasurer
Richard V. Armstrong, Member
Bruce C. McCall, Member

SUPERVISORY COMMITTEE REPORT

Your Supervisory Committee is pleased to report that an audit of our financial statements for the period ended March 31, 2003, was conducted by auditors of Kwock & Company, CPA's and Federal Examiner, Michael Oster. The audit and exam reflected that IEG Federal Credit Union is operating in compliance with the laws and regulations and found the credit union to be in sound financial condition.

As part of an audit, your Supervisory Committee conducted members' verification as of December 31, 2002. The mailing requested members who questioned their account balances to contact the supervisory committee direct (through a separately controlled post office box). As a result of the mailing no negative response was received.

Our Chairman, Thomas Raffipiy, was recently deployed to serve in Iraq. We all wish him well and look forward to his safe return. In the interim, Wayne Kodani has accepted the chairmanship of this committee.

The committee wishes to express our sincere appreciation to the Board of Directors and Staff for the cooperation and courtesies extended throughout the year.

Wayne Kodani, Chairman
Kathleen Antonio, Secretary