

MESSAGE
FROM THE CHAIRPERSON

DR. BILL WILLIAMS, CHAIRPERSON
BOARD OF DIRECTORS



2003 WAS A YEAR OF
REMARKABLE ACCOMPLISHMENT FOR THE

CREDIT UNION. THE RESULT WAS A MILESTONE YEAR WITH ASSETS OVER A BILLION DOLLARS. KEEPING PACE WITH THIS GROWTH, THE CREDIT UNION CONTINUED ITS COMMITMENT TO ADD NEW PRODUCTS AND SERVICES AND ENHANCE OTHERS.

VEHICLE AND REAL ESTATE LENDING FUELED THE CREDIT UNION'S RAPID GROWTH DURING THE COURSE OF THE YEAR. WITH INTEREST RATES AT HISTORIC LOWS, REAL ESTATE LOANS DOMINATED THIS GROWTH WITH OVER 200 MILLION IN HOME LOANS FUNDED TO THE BENEFIT OF 2,928 MEMBERS.

"CONVENIENCE" WAS A KEY CONSIDERATION IN 2003. WE EXPANDED THE EAST HILLS EXPRESS BRANCH TO A FULL SERVICE BRANCH. A FULL SERVICE, DEPOSIT TAKING ATM WAS INSTALLED AT ROSEDALE HWY AND CALLOWAY WHERE KERN COUNTY IS EXPERIENCING THE GREATEST DEVELOPMENT GROWTH. KSFCU ALSO OPENED KERN COUNTY'S SECOND STUDENT CREDIT UNION AT RIDGEVIEW HIGH SCHOOL. THANKS TO THE PARTNERSHIP BETWEEN KERN SCHOOLS, THE KERN HIGH SCHOOL DISTRICT AND RIDGEVIEW HIGH SCHOOL.

MEMBERS ARE ALSO ENJOYING THE CONVENIENCE OF ANYTIME, ANYWHERE BANKING TO ACCESS THEIR ACCOUNTS. MEMBERS CAN NOW APPLY FOR ONLINE MORTGAGE LOANS.

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2003

KERN SCHOOLS FEDERAL CREDIT UNION 2003 ANNUAL REPORT

Kern Schools Federal Credit Union is part of the economic, educational, and social community here in Kern County.



Vincent Rojas, Jr.
President/Chief
Executive Officer

In 2003, Kern County's economy continued to improve. The Credit Union also continued to grow providing more services, making more loans, and processing more financial transactions for its members.

The Board of Directors and Management continue to build lasting value for our members by focusing on our mission. This mission is to build a lifetime financial partnership with members through exceptional service and quality financial products. There is a continual review of our products to update and improve their features. The delivery of financial services was expanded by the conversion of our East Hills Office to full service, and the upgrading of our online services with the ability to apply for a mortgage loan. Convenience and member-friendly processes are important to everyone. This is foremost in our minds when we introduce new services.

In 2003 we made over \$220,500,000 in mortgage loans to our members. Our total loan balances exceed \$962 million. Again, in 2003, we made over \$500 million in consumer loans to members. We were also able to pay over \$26 million in dividends to

members on their shares and share certificates. Our net worth remains a strong 8.35%. Kern Schools Federal Credit Union is in a strong financial position to move into the future.

The Credit Union has a strong financial educational program for our members. Our Investment Company last year held an estate and retirement planning seminar at the Doubletree Hotel that was attended by over 200 members. We have a diverse program for financial education of our youth. It is important to teach not only youth but also everyone to become financially literate. Today's fast paced economy provides several choices for everyone and it is important to make the correct decision on your financial matters. It is your future. We conducted seminars on Identity Theft for our members during the year. Our involvement in Junior Achievement programs and the Kern County High School District's Virtual Business program are all examples of promoting financial literacy.

Another area that has become a focal point of our attention is the area of security. Increasing crime victims and identity theft remind us that the protection of members' information on our internal system is the highest priority. Steps and processes have been put into place to increase our security on all member information.

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KERN SCHOOLS

FEDERAL CREDIT UNION

"Together, we have something special!"



Jeannine Thompson
Treasurer

TREASURER'S REPORT

As our economy slowly turns upward, Kern Schools Federal Credit Union maintains its strong financial position and steady growth. Total assets have grown 20% to \$1,231,904,000, while membership has grown 9% to 142,600. This has occurred while profitability has reached a very strong \$12.4 million.

For your Credit Union to be successful, we must have a balance between borrowers and savers. KSFCU has over \$962 million

in loans outstanding and deposits in excess of \$1.1 billion. This enviable 85.4% loan to share ratio exceeds over 90% of all other credit unions. Borrowers and savers are equally important as we strive to meet the financial needs of all members under the people-helping-people concept.

The Board of Directors and management have worked diligently to make sure available services and delivery systems meet the expectations of all members.



Curtis Kennedy, Chairperson
Supervisory Committee

SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee, under the direction of the Board of Directors, continues to review and examine the Credit Union's operational practices.

The Supervisory Committee, with all Staff members and members of the Credit Union, welcome Mr. Perry Goodbrake as our new Internal Auditor to the Staff of the Credit Union. Mr. Goodbrake has an extensive and rich background in auditing functions and will certainly be an asset to Kern Schools Federal Credit Union.

The Auditing Firm of Turner, Warren,

Hwang and Conrad, under the direction of the Supervisory Committee, has been performing the Annual Audit of your Credit Union's financial status for 2003. The Audit is not complete, therefore, the report being presented is not audited. The completed audit report will be available for review during the second quarter of 2004.

The Supervisory Committee wishes to express its appreciation to the members of management and staff for their assistance and cooperation in making this report possible.

BOARD of DIRECTORS

DR. BILL WILLIAMS • CHAIRPERSON

MIKE KILEEN • 1ST VICE CHAIRPERSON

DR. BILL BRUCE • 2ND VICE CHAIRPERSON

JEANNINE THOMPSON • TREASURER

JOANNE MILLS • SECRETARY

DR. JAMES FILLBRANDT • DIRECTOR

DR. LARRY REIDER • DIRECTOR

MARY K. ZWARTENDYK • DIRECTOR

MARILYN JONES • DIRECTOR

BRYON SCHAEFER • DIRECTOR

DR. CECIL BRISCOE • DIRECTOR

SUPERVISORY COMMITTEE

CURTIS KENNEDY • CHAIRPERSON

JIM SHEATS • SECRETARY

CARL D. WOODY, JR. • DIRECTOR

JAMES C. DUNN • MEMBER

ADMINISTRATION

VINCENT ROJAS, JR. • PRESIDENT/CEO

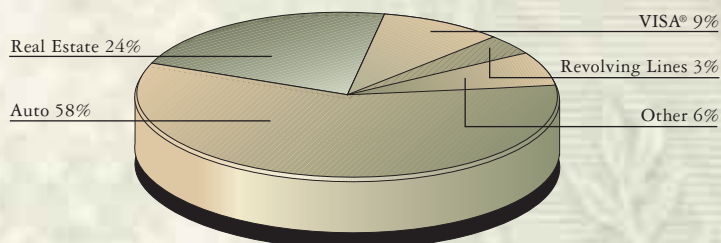
PENELOPE FULTON
SR. V.P., ADMINISTRATIVE SERVICES

NORMAN RANALLO
SR. V.P., CHIEF FINANCIAL OFFICER

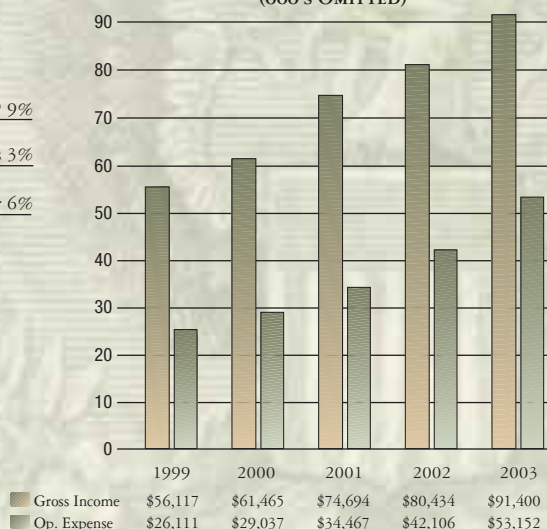
BARBARA IRLE
SR. V.P., OPERATIONS
BRANCH ADMINISTRATION

ANNUAL STATEMENTS

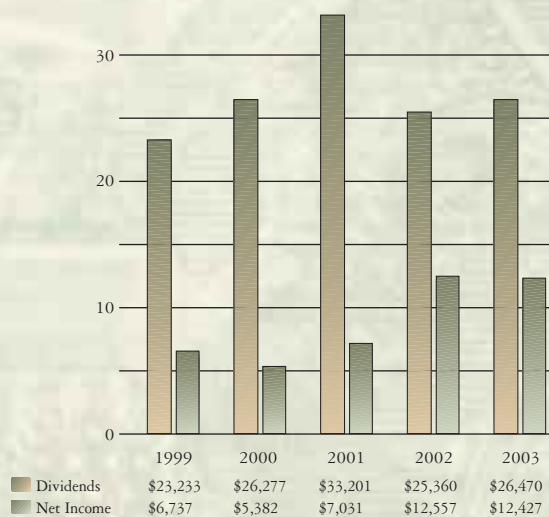
MEMBER LOANS
(PERCENTAGE OF TOTAL LOANS)



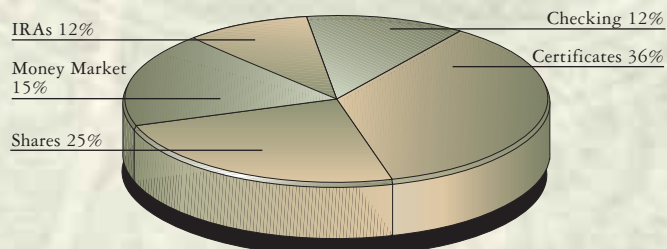
GROSS INCOME & OPERATING EXPENSE
(000's OMITTED)



MEMBER DIVIDENDS & NET INCOME
(000's OMITTED)



MEMBER SHARES
(PERCENTAGE OF TOTAL SHARES)



STATEMENTS

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31ST - (UNAUDITED)
(000's Omitted)

INCOME	2002	2003
Interest on Members' Loans	\$61,383	\$67,326
Investment Income	4,329	4,184
Other Income	14,722	19,890
GROSS INCOME	\$80,434	\$91,400
OPERATING EXPENSES	\$42,106	\$53,152
Income from Operations	38,328	38,248
Non-Operating Gain (Loss)	(411)	649
Income Before Dividends	37,917	38,897
Dividends Paid to Members	25,360	26,470
NET INCOME	\$12,557	\$12,427

CONDENSED STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31ST - (UNAUDITED)
(000's Omitted)

ASSETS	2002	2003
Loans to Members	\$813,925	\$950,278
Cash	28,515	35,413
Investments	146,711	201,174
Interest Receivable	4,517	4,813
Premises & Equipment	26,533	26,920
Other Assets	6,228	13,306
TOTAL ASSETS	\$1,026,429	\$1,231,904
LIABILITIES/SHARES/EQUITY		
Dividends Payable	\$2,024	\$2,054
Other Liabilities	14,146	15,313
Member Accounts	919,778	1,111,681
Restricted Reserve	34,783	34,783
Undivided Earnings	55,698	68,073
TOTAL LIABILITIES & EQUITY	\$1,026,429	\$1,231,904



"Together, we have something special."

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BAKERSFIELD, CA 93309

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2003

2003 ANNUAL REPORT

BRANCH LOCATIONS

BAKERSFIELD

- 2424 Chester Avenue
- 4616 California Avenue
- 6101 Coffee Road
- 4530 Ming Avenue
- 3901 Mt. Vernon Avenue
- 2671 Oswell Street
- 5001 Panama Lane
- 8200 Stockdale Highway

RIDGECREST

1621 North Downs Street

DELANO

1101 Cecil Avenue

661 833-7900

800 221-3311

www.ksfcu.org

Message from the Chairperson
— CONTINUED FROM FRONT

THROUGHOUT THIS GROWTH, KSFCU CONTINUED TO MAINTAIN A STRONG COMMITMENT TO OUR "COMMUNITY." THE GOAL OF BETTER BANKING IS TO HELP OUR MEMBERS BUILD BETTER LIVES. WE ALSO FEEL A RESPONSIBILITY TO SERVE THE COMMUNITIES IN WHICH OUR MEMBERS LIVE. IN 2004, WE WILL MAKE FURTHER STRIDES TO ENHANCE THE VALUE OF YOUR MEMBERSHIP. YOU'LL ENJOY GREATER CONVENIENCE AND ACCESSIBILITY AS WE DEVELOP NEW TECHNOLOGY INITIATIVES AND

EXPAND OUR BRANCH AND ATM NETWORKS. WHETHER YOU BANK IN OUR BRANCHES, ON THE PHONE, OR ONLINE, WE WILL PROVIDE THE HIGHEST LEVEL OF SERVICE POSSIBLE. AS YOUR FINANCIAL PARTNER, WE WILL CONTINUE TO FULFILL THE PROMISE THAT BROUGHT YOU TO KERN SCHOOLS FEDERAL CREDIT UNION — THE PROMISE OF BETTER BANKING.

**DR. BILL WILLIAMS, CHAIRPERSON
BOARD OF DIRECTORS**

Message from Vince Rojas, CEO
— CONTINUED FROM FRONT

2003 was an active year in many areas as you can see. Our commitment is to provide excellent service each time you come in contact with the Credit Union. We understand that personal attention is critical and that accuracy is expected. The Board of Directors, Senior Management, and all of Staff are committed to these standards. As we begin our new year, we wish all of our members financial success in 2004, and remember, the Credit Union works only if you use its services. "Together, we have something special."

