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Official Statement - Kern Schools Federal Credit Union Reports Year End 2009 Financial Results

Kern Schools Federal Credit Union, a federally chartered credit union headquartered in Bakersfield, California, announced their unaudited consolidated 2009 year end financial results today.

Net (loss) for the year of 2009 was (\$40,641,000) compared to (\$24,327,000) for the same period of 2008. The primary contributors to this loss were consumer loan losses and residential real estate and contributions to the loan loss reserve and regulatory assessments for the credit union system. Credit unions, unlike banks, are financial cooperatives and have funded their own recovery through the cooperative system. Funding assessments of \$2,363,000 for the NCUA Recapitalization Expense and \$7,737,000 for the NCUA WesCorp Capital Losses were made in 2009. To protect the Credit Union from future loan charge offs an unprecedented contribution of \$53,171,000 was made to the Provision for Loan and Lease Losses by the Credit Union. This additional provision increased reserves for potential loan losses by \$19,777,000 over prior year fundings. As consumer loan delinquencies stabilize and real estate loans appear to be slightly less problematic, the Credit Union is well reserved for the future. Credit Union Board of Directors and Management have made great strides over the past year to also cut operating expenses to help offset the decline in earnings.

“The weak national and local economic conditions unlike any seen in recent history are continuing to have a negative impact on us,” said Steve Renock, President and CEO of Kern Schools Federal Credit Union. “Loan delinquency issues, particularly in residential real estate and compressed net interest margins contributed to our loss this past year. We are seeing some positive signs in our consumer loan portfolio and a comprehensive plan is in place with aggressive corrective actions planned to ensure a better result of 2010. With improved operating metrics, stabilizing or improving credit trends and strong reserve levels, the Credit Union, based on our current projections, is likely to return to positive results late in 2010.” Renock also commented that he will provide more information and comments on last year’s results to Credit Union Members in the next issue of Common Cents, the Member newsletter.

Kern Schools Federal Credit Union is a full-service credit union founded in 1940. With branches in Kern County the Credit Union ended 2009 with 194,545 members and \$1,582,630,000 in total assets plus \$77,425,000 in capital and \$50,927,000 in reserves.

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