



91ST 2024

ANNUAL REPORT



Together it's possible.





MISSION & VALUES

MISSION

We are dedicated to the prosperity of our communities by providing personalized experiences, convenient access, and highly competitive products and services.

VALUES

● COLLABORATION

We believe in the power of a diverse group of people working together to achieve a united outcome.

● AUTHENTICITY

We believe in actions that demonstrate our commitment to be transparent, dependable, and genuine in everyday activities.

● RESPONSIBILITY

We believe that responsibility is holding ourselves accountable for our decisions, actions and, their outcomes.

● INTEGRITY

We believe in acting with honesty, trust, and respect which are at the forefront of our daily engagement.



CHIEF EXECUTIVE OFFICER REPORT

SHAWN GILFEDDER, CEO

Commitment to You, Our Community, and the Future

It is an honor to address you, our 160,000 members, who are the heart of everything we do at Kitsap Credit Union. For 91 years, our purpose has remained steadfast: to support your financial well-being and provide the resources necessary to empower your life's opportunities. Kitsap Credit Union's focus on long-term success and growth is rooted in our commitment to making a positive impact in your lives.

As we strive to be a best-in-class organization, we deeply appreciate the loyalty and trust you've placed in us. We are dedicated to listening to your unique needs, and your feedback guides our evolution. We aim to provide the support and resources that help you achieve your financial goals, both now and in the future. This member-focused approach allows us to create a meaningful, long-lasting impact, ensuring your financial journey – whether personal or business-related – is smooth and rewarding.

This past year has been a milestone in our shared journey. We returned \$43.3 million in dividends to our members – the largest distribution we've ever made. This reflects our commitment to you and is one way we show our appreciation for the trust you place in us. As a credit union, every decision we make centers on what's best for you, your family, and your future. When you succeed, we succeed.

Our mission extends beyond financial services. We are deeply committed to improving our community through programs and initiatives that drive positive change, from financial literacy efforts to supporting local nonprofits and engaging in community involvement. We are invested in the places we call home, working every day to ensure the communities we serve continue to thrive.



Looking ahead to the coming year, we remain focused on our key priorities of growing Kitsap Credit Union and expanding our products and digital delivery opportunities.

Success for us is not only about achieving business goals, but also about building trust and empowering our employees to better serve our members.

Our employees bring passion, resilience, and dedication to their work, ensuring every member's financial journey is supported. Together, we will continue to grow, innovate, and strengthen the connections that allow Kitsap Credit Union to live its mission and allow our employees to deliver value to the broader community.

2024 Overall Performance

In 2024, Kitsap Credit Union's strong focus on growth and dedication to serving our members propelled us to nearly \$2.32 billion in assets.

We currently manage \$1.8 billion in loans to members and \$2.05 billion in member deposits.

During the past year, we used our growth to pay down our borrowings and add to our retained earnings and loan loss reserves. The net result was \$6.02 million of income on the year's activity.

Connecting Our Community to What Matters

We have three pillars of community support: food security, housing needs, and financial wellness – each designed to help people access what's most important. Guided by our **"People Helping People"** philosophy, we strive to create opportunities for our community to grow, thrive, and align with our mission. Thanks to your loyalty and support, Kitsap Credit Union continues to be an organization that our community can truly rely on.

In 2024, thanks to your dedication, Kitsap Credit Union and our KCUCares Foundation proudly sponsored 147 community events and contributed \$734,000 in philanthropic donations to support our neighbors across Jefferson, Kitsap, Mason, and Pierce Counties.

We were once again honored to partner with KING 5's Home Team Harvest, the state's largest food drive, to fight hunger in our communities. Last year, food insecurity rose dramatically with a 37% increase in households uncertain of where their next meal would come from – a 5-percentage point rise from the previous year, affecting nearly every demographic. Tackling food insecurity requires more than just providing food; it's about empowering local food banks and organizations to continue their critical work. Thanks to this partnership and the generous donations from you and our staff, we helped provide 24 million meals to families in need.

Our commitment to giving back extends beyond financial support. In 2024, our team volunteered hundreds of hours to directly assist those in need across the areas we serve, making a tangible impact on the lives of our neighbors.

Food insecurity isn't just about a lack of food; it's a symptom of a much larger issue – financial instability. This underscores why it's crucial for us at Kitsap Credit Union to provide financial guidance and education to our community.

Education is the Cornerstone of Financial Health

Through years of providing free financial wellness programs, we've seen firsthand that education is the cornerstone of financial health. In 2024, Kitsap Credit Union and the KCUCares Foundation remained committed to supporting community members who may not have access to the resources needed to make informed financial decisions.

Last year, we provided financial education to 21 schools across four counties in collaboration with 27 educators. Our financial wellness modules reached 5,901 students, who completed over 41,086 lessons, totaling 16,521 hours of learning. Additionally, our free online adult education curriculum on the Kitsap Credit Union website received 4,491 visits, and our 'It's a Money Thing' children's videos were accessed by over 23,109 users.



Building on this success, we are excited to announce that in 2025, we plan to expand our program to 26 schools across six counties. Thanks to your trust and support, we can extend this educational opportunity to more children, positively impacting their futures, the well-being of their families, and the broader community.

We prioritize financial wellness education because it plays a critical role in fostering economic stability. These programs provide a strong foundation for both students and adults, helping them make informed decisions that benefit themselves and their communities.

At Kitsap Credit Union, we believe that by working together, we can achieve meaningful change. Financial education helps build a sense of community and belonging, empowering individuals to reach their goals and fostering stronger, more resilient communities.

Kitsap Credit Union has been dedicated to improving the lives of our members and communities, and we're grateful to have you by our side in this mission. Together, we continue to support those who need it most and focus on what truly matters.

Looking Ahead:
A Dedication to Service and Growth

Serving our members is a true privilege for everyone at Kitsap Credit Union. Through our collective

efforts, we've remained focused on delivering the best member experience while staying true to our mission. We are here to support our members and to help you make the most of the opportunities life brings your way.

We will continue seeking opportunities to help you thrive while also giving back to our community.

As we look ahead to the coming year, we are filled with excitement for what's to come. I am incredibly proud of the dedication and achievements of the Kitsap Credit Union team this past year. Together we will build on the momentum we've created, fueled by the dedication, resilience, and passion of our team.

Thank you for being a part of our cooperative efforts and for your continued loyalty. Here's to a year filled with growth, success, and deeper community connections.

On behalf of our leadership team, the Board, and our entire staff, I extend a heartfelt thank you for your unwavering trust and continued membership. Together, we can accomplish anything.





BOARD CHAIR REPORT

SUSAN BAKER

As the Board of Directors, our primary responsibility is to advocate for the members of Kitsap Credit Union while collaborating with management to guide the organization's vision, mission, and strategic direction. We remain committed to ensuring your needs are always at the forefront as we oversee governance, strategic planning, and capital management.

In 2024, we embarked on a new five-year journey with our refreshed strategic plan, guided by an exciting vision for the future. Fueled by the enthusiasm of our management team, we are dedicated to becoming a thriving, best-in-class organization that leads with its culture and commitment to community service.

This past year, the groundwork was laid for success in 2025 and beyond through an organizational realignment, deep work in cultural development, and improvements in operational excellence. We are pleased to report that Kitsap Credit Union remains financially strong, as reflected in our 2024 financial statements. The organization is well-capitalized, with high-quality assets that position us for continued success.

We extend our gratitude to our CEO, Shawn, the management team, and our staff for their exceptional performance during a year marked by economic challenges. Despite hurdles such as inflation and market uncertainty due to global geopolitical tensions, Kitsap Credit Union achieved key milestones in employee engagement, operational efficiency, and cultural development.

These efforts have set us up for stronger growth and success moving forward. This positive momentum is helping to bring to life the future we envision for Kitsap Credit Union and the members and communities we proudly serve.

As always, the entire organization has the full support of the Board as it pursues new, ambitious initiatives and goals to ensure Kitsap Credit Union continues to thrive.

Our commitment to the communities we serve remains unwavering. In 2024, we participated in over a hundred charitable events. Two of our most notable efforts were the events hosted by the KCUCares Foundation, which focused on tackling food insecurity in our region and raised \$237,000 for local food banks and backpack feeding programs. Additionally, Kitsap Credit Union partnered with KING 5's Home Team Harvest, helping to achieve their campaign goal of donating 24 million meals to families in need across Washington. We also provided free financial wellness education to 21 high schools and expanded our online curriculum to benefit even more members of our adult and business communities.

Finally, we would like to thank you, our members, for your trust and support. As a member-owned financial cooperative, Kitsap Credit Union is honored to meet your financial needs and serve as your trusted partner.



BOARD OF DIRECTORS



SUSAN BAKER

CHAIR

Governance Committee
Finance Committee
Compensation Committee
Mergers & Acquisitions Committee
Strategic Planning Committee



WENDIE JOHNSON

VICE CHAIR

Finance/ALCO Committee
Compensation Committee
Mergers & Acquisitions Committee



MIKE GOONEWARDENE

VICE CHAIR

Finance Committee
Mergers & Acquisitions Committee
Nominating Sub-Committee



KAREN HOLMES

SECRETARY

Governance Committee
Strategic Planning Committee
Nominating Sub-Committee



JIM ROWSON

TREASURER

Finance/ALCO Committee
Compensation Committee



VICKI GAMBRELL

DIRECTOR

Governance Committee
Strategic Planning Committee



SIOBHAN CANTY

DIRECTOR

Governance Committee
Strategic Planning Committee



VASUMA SARGENT

DIRECTOR

Finance/ALCO Committee
Compensation Committee



MATTHEW ELLSWORTH

DIRECTOR

Strategic Planning Committee
Governance Committee
Nominating Sub-Committee
Mergers & Acquisitions Committee



CHIEF FINANCIAL OFFICER REPORT

TREVOR STUART, SVP/CHIEF FINANCIAL OFFICER

Kitsap Credit Union continues to be unwavering in its dedication to meeting the financial needs of our members, with a deep focus on their success and well-being. Our strong financial foundation enables us to prioritize the needs of our members, and we are proud to share our 2024 financial performance.

The economic environment throughout 2024 continued to pose challenges. Inflation remained a key concern, though it showed signs of moderation. In response, the Federal Reserve began to lower interest rates in the latter half of the year, cutting rates by 50 basis points in September, followed by a 25 basis point cut in both November and December. These adjustments were aimed at supporting economic growth while managing the ongoing effects of inflation. Meanwhile, global geopolitical tensions continued to contribute to market uncertainty, but the labor market remained resilient with unemployment rates staying at historically low levels.

In light of these conditions, Kitsap Credit Union remained vigilant in managing our liquidity and financial positioning. We continued to offer market-leading deposit rates on short-term certificates and money market accounts, maintaining competitiveness in a volatile environment. Additionally, we adjusted our loan pricing strategies to balance providing attractive loans to our members while safeguarding our net interest margin and managing credit risk effectively.

One notable update is the ongoing implementation of the Current Expected Credit Losses (CECL) accounting standard, which requires financial institutions to account for anticipated credit losses in a more forward-looking manner.

While we initially adopted CECL in 2023, we continued to adjust our loan loss reserves throughout 2024 in response to shifts in our loan portfolio and economic conditions. This resulted in a substantial increase in our loan loss reserves, reflecting the heightened economic uncertainty and ensuring we remain prepared for potential credit challenges.

Throughout 2024, Kitsap Credit Union remained proactive and focused on effective liquidity management. We made significant strides in reducing our reliance on short-term borrowings from the Federal Home Loan Bank and the Federal Reserve, which had been secured in 2023. By minimizing these borrowings and closely monitoring asset growth and liquidity needs, we saw a slight decrease in assets of -2.05% for the year. However, we were still able to ensure that we had the resources necessary to support our members' needs.

In a challenging environment, we remained steadfast in our commitment to financial strength. Although factors like slightly lower net loan balances, increased loan loss reserves, and higher deposit costs influenced our net income for 2024, we still achieved a solid \$6.0 million in net income. While this represents a slight decline from last year, it highlights our ability to navigate tough conditions while maintaining a strong financial position.

At the close of 2024, Kitsap Credit Union's capital ratio stood at 8.6%, exceeding the National Credit Union Administration's well-capitalized threshold by 1.6 percentage points. This robust capital position ensures that we are well-equipped to withstand economic uncertainties and continue serving our members with financial security.

As we enter 2025, we remain optimistic about the opportunities ahead, despite ongoing economic uncertainties. Inflation has shown signs of moderation, and we are closely monitoring geopolitical challenges and the evolving impact of new governmental economic policies.

Elevated interest rates, compared to expectations from just a few months ago, may present some hurdles, but we are confident in our ability to guide our members through these changes and continue supporting their financial well-being.

Kitsap Credit Union remains dedicated to its mission. We will continue to seek opportunities to enhance our services and preserve our financial strength while navigating the evolving economic landscape.

Our commitment to our members' success remains at the heart of everything we do.

We extend our deepest gratitude to you, our members, for your continued trust and confidence in Kitsap Credit Union. Your support enables us to fulfill our mission of providing exceptional service and meeting your financial needs. Looking ahead, we are committed to working together to seize every opportunity to foster growth and prosperity for your future and the future of our credit union.





CHIEF LENDING OFFICER REPORT

TONY BULLERI

As we reflect on 2024, it's clear that the lending landscape faced unique challenges. Economic uncertainty, housing affordability concerns, and inflationary pressures all played a role in slowing loan demand. However, despite these external factors, we remain committed to delivering the exceptional service and opportunities you expect from Kitsap Credit Union.

Loan Demand and Efficiency

While overall loan demand slowed in 2024, our total outstanding loan balances remained strong and stable at \$1.8 billion. The Lending team worked diligently to process over 56,000 loan applications, and we're proud to report that more than two-thirds of these applications were decisioned in under three minutes. This was made possible through our continued investment in technology and process enhancements.

One area where we saw growth despite the overall slowdown was in our mortgage and home equity offerings, which grew by more than 12%. This is a testament to our ability to adapt to evolving market conditions and meet the needs of our members.

Looking ahead, while 2024 saw slower loan growth, we anticipate strong demand for loans in 2025, and we're excited to support your financial goals in the year ahead.

Process Enhancements

At Kitsap Credit Union, we are always focused on improving the experience we provide our members.

In 2024, we expanded our lending product offerings to complement our already strong auto lending portfolio. We diversified into business services, real estate lending, and home equity products to better serve the evolving needs of our members.

In 2025, we are committed to further enhancing the lending experience by investing in technology to streamline and improve our processes. We will continue to focus on providing an efficient and seamless experience for our members, transforming the way we deliver lending solutions that help you achieve your financial goals.

Enhancing Growth and Partnerships

Our commitment to the prosperity of our community remains at the heart of everything we do. In 2024, we introduced new cash management products for small businesses and expanded our SBA small business lending offerings to help local entrepreneurs thrive. Additionally, we strengthened our partnerships with organizations such as the Washington Small Business Administration, the Kitsap Small Business Development Center, and other local community agencies to further support the needs of our members and their businesses.

We are proud of the progress we've made in 2024 and are energized by the opportunity to continue growing alongside our community in 2025. Your trust and partnership are integral to our shared success, and we look forward to another year of helping you achieve your financial aspirations.



SUPERVISORY COMMITTEE REPORT

PAUL SHINNERS, CHAIR

As your Supervisory Committee, we are committed to our role in safeguarding member assets and contributing to the continued success and growth of Kitsap Credit Union for years to come. Our Committee is made up of member representatives who focus on the integrity of the credit union’s financial reporting, compliance with federal and state regulations, and protection of member assets.

We accomplish these objectives by collaborating with and monitoring Kitsap Credit Union’s Internal Audit Department. Together, we ensure the completion of more than 100 audits each year, confirming adherence to Board policies, mitigating operational risk, and enhancing the financial integrity of the credit union.

Additionally, we work closely with the Internal Audit Department to oversee the completion of annual state and federal regulatory examinations and third-party audits of the credit union’s financial statements and informational technology systems.

Annual Audits and Regulatory Examinations

For the fiscal year 2024, the Supervisory Committee engaged Moss Adams, LLP to conduct the Annual Financial Audit. We are pleased to report that the audit yielded a clean report, confirming that the financial statements fairly present the financial position of Kitsap Credit Union and comply with Generally Accepted Accounting Principles of the United States.

The Supervisory Committee also monitored Rival Data Security as they completed and

provided the Annual Information Technology Audit. Furthermore, we ensured the successful completion and close of the annual regulatory examinations by the National Credit Union Administration and the Washington State Department of Financial Institutions.

We are happy to report that Kitsap Credit Union received a favorable rating for 2024, indicating that our capital remains satisfactory in relation to our current and prospective risk profile.

Risk Mitigation and Audit Plan

A key responsibility of the Supervisory Committee is collaborating with the Internal Audit Director to review, modify, and approve the annual internal risk assessment and audit plan. This collaboration involved monthly reviews of more than 100 audits across various Kitsap Credit Union departments and service centers. The Committee also oversaw the remediation and closure of any issues identified during these audits.

Current Expected Credit Loss (CECL)

A significant focus of Kitsap Credit Union financial reporting in fiscal year 2024 was the implementation of a Current Expected Credit Loss (CECL) model in accordance with Generally Accepted Accounting Principles. The Supervisory Committee monitored the implementation of a compliant CECL model, including the day-one entry and monitoring progress toward model validation. The implementation was successfully completed on schedule, as planned.



Information Technology Third-Party Auditor

The Supervisory Committee worked with the Internal Audit and Information Technology departments to select TraceSecurity for a three-year engagement to conduct annual third-party audits of our information systems and network security. This partnership helps mitigate risks to member assets and ensures the security of personal information.

On behalf of the Supervisory Committee, I would like to express our gratitude for your continued membership and loyalty to Kitsap Credit Union.



PAUL SHINNERS
SUPERVISORY COMMITTEE CHAIR



SUZANNE APPEGATE
SUPERVISORY COMMITTEE SECRETARY



NORMAN NAULT
SUPERVISORY COMMITTEE MEMBER



LUCY LU
SUPERVISORY COMMITTEE MEMBER



JEREMY JOHNSON
SUPERVISORY COMMITTEE MEMBER



STATEMENT OF FINANCIAL CONDITION

	2023*	2024*
ASSETS		
Total Loans	1,834,577,568	1,816,228,447
Less Allowance	<u>(24,819,622)</u>	<u>(33,232,200)</u>
Net Loans	1,809,757,946	1,782,996,247
Cash & Equivalents	129,135,830	122,048,563
Investments	319,874,485	319,524,703
Property & Equipment	26,681,338	26,884,913
Other Assets	83,154,775	68,546,764
Total Assets	<u>2,368,604,374</u>	<u>2,320,001,190</u>
LIABILITIES & EQUITY		
Total Liabilities	237,697,382	136,473,655
Total Shares	2,000,491,309	2,054,186,655
Total Reserves	130,415,683	129,340,980
Total Liabilities & Equity	<u>2,368,604,374</u>	<u>2,320,001,190</u>

*For the Twelve Months Ending December 31 (unaudited)



INCOME STATEMENT

	2023*	2024*
INTEREST INCOME		
Interest Income on Loans	101,698,126	118,380,826
Interest Income on Investments	<u>9,924,942</u>	<u>10,620,961</u>
	111,623,068	129,001,788
INTEREST EXPENSE		
Dividend Expense	26,950,257	43,296,611.5
Interest on Borrowed Funds	<u>9,699,147</u>	<u>5,690,734</u>
	36,649,404	48,987,346
NET INTEREST INCOME		
	74,973,664	80,014,441
Provision Loan Loss	<u>19,158,112</u>	<u>25,158,231</u>
AFTER PROVISION EXPENSE		
	55,815,552	54,856,210
NON-INTEREST INCOME		
Fees and Other Charges	10,127,161	9,956,740
Other Non-Interest Income	14,276,300	15,202,899
Gain (Loss) Sales of Assets	<u>402,031</u>	<u>44,528.49</u>
	24,805,492	25,204,167
NON-INTEREST EXPENSES		
Compensation & Benefits	33,222,886	37,481,157
Office Occupancy	3,390,246	3,214,880
Office Operations	17,932,087	17,436,288
Other Non-Interest Expense	<u>16,993,084</u>	<u>15,906,624</u>
	71,538,303	74,038,949
NET INCOME		
	9,082,741	6,021,429

*For the Twelve Months Ending December 31 (unaudited)

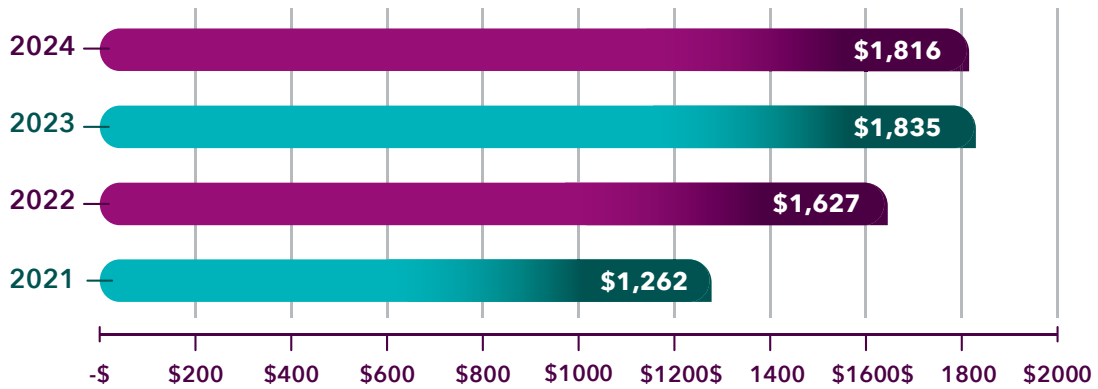


BY THE NUMBERS

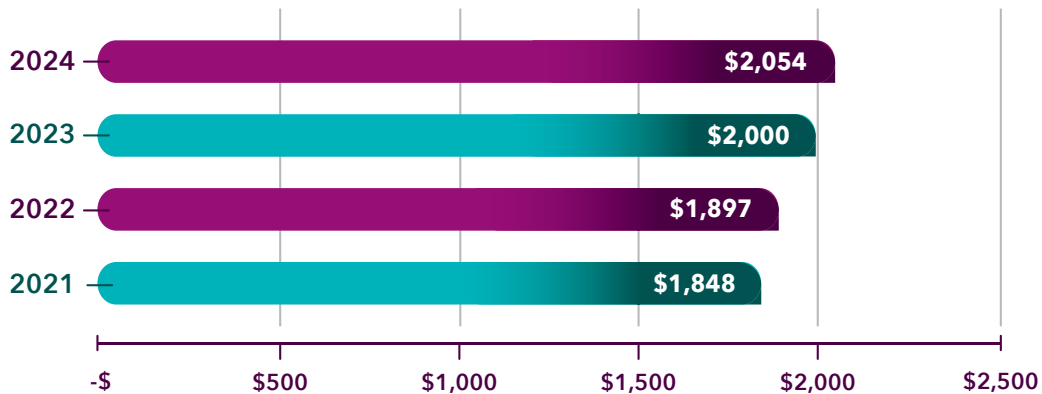
ASSETS – IN MILLIONS



LOANS – IN MILLIONS




SHARES – IN MILLIONS





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 Equal Housing Opportunity

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NMLS #445336

MR-4284