



92ND 2025

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

A Year of Purpose and Progress

At Kitsap Credit Union, our purpose is rooted in our mission, our members, the communities we live in, and the future we are building together. As a member-owned cooperative, every decision we make is guided by our commitment to support your financial well-being, expand opportunities, and ensure long-term stability for you and your credit union. In 2025, this focus shaped how we served you, strengthened our communities and invested in the continued strength of Kitsap Credit Union.

Delivering Record Performance and Stability

2025 was a landmark year for Kitsap Credit Union, as we surpassed \$2.52 billion in total assets for the first time in our history. This achievement reflects the deep trust our members place in us and the discipline of our financial management. Loans reached \$1.96 billion and deposits totaled \$2.24 billion, clear indicators of a strong, well-capitalized credit union built to serve you for the long-term.

Returning value to you remained a priority. In 2025, more than \$40 million in dividends were paid back to members. Even with that commitment, we delivered solid financial results, with net income of \$8.6 million. This strength allows us to continue investing in better services, improved technology, and community impact.

Supporting Your Financial Goals in a Historic Year

Lending was a major area of momentum in 2025. We delivered nearly \$800 million in loan production processing 71,000 applications during the year. This represents our strongest lending performance since before 2022, excluding prior one-time programs, and reflects how we continued to support you at key financial moments, whether buying a home, financing a vehicle, or growing a business.



We remained focused on responsible lending, ensuring loans were affordable and sustainable. Loan quality levels improved to their lowest point in nearly two years, and collection performance was exceptionally strong, helping to keep your credit union financially sound. Behind the scenes, we modernized and centralized lending operations by using technology and automation to make our processes faster, more efficient and reliable for you.

Building Connections and Giving Back

Our impact extends far beyond financial services. It would not be possible without you, our members. Through the KCUCares Foundation and the dedication of your membership and our employees, Kitsap Credit Union continued to strengthen the communities we serve in 2025. More than \$229,000 was donated to over 60 local nonprofits, including \$158,000 toward combating hunger, \$14,000 addressing housing insecurity, and \$57,000 supporting financial wellness initiatives.

These results were powered by collective generosity. Our members contributed \$43,675, employees contributed \$18,954, and our team donated

thousands of volunteer hours. Your membership is at the heart of this work, showing how we can create meaningful change together. Thank you for helping us make a difference in the lives of our neighbors.

Turning Ideas into Real Solutions

Thanks to you, our members, Kitsap Credit Union has the resources, the reputation, and the trust needed to make a real impact in our community. Your support allows us to bring people and organizations together to turn ideas into solutions that truly matter.

We are proud to have helped lay the groundwork for an upcoming initiative supported by the Transportation Electrification Grant. This new shuttle project will provide transportation to Bremerton Foodline and the Marvin Williams Center for community members who need reliable transportation. Kitsap Credit Union helped identify the need, develop the concept, and connect key stakeholders, including the grant providers and the recipients, so this project can become a reality. We are excited to see the difference this shuttle will make for those who previously had limited access to essential support.

This work reflects how we go beyond providing resources. Our deep connections to the community help us understand its needs, while our relationships with local businesses and policymakers allow us to create lasting change. Acting as the common thread, we bring innovation, collaboration, and resources together to make solutions work.

It is all possible because of you. Your partnership empowers us to create solutions that make a real and lasting difference every day.

Empowering Local Entrepreneurs and Our Community

At Kitsap Credit Union, we are committed to helping our community thrive. As a certified Community Development Financial Institution (CDFI), we provide resources that help local businesses grow, create jobs, and strengthen the local economy. Through our CDFI grant program, we support start-up small businesses locally, empowering entrepreneurs and helping our neighbors achieve greater financial stability.

Since becoming a certified CDFI in 2022 and receiving our first grant in 2023, we have added a valuable tool to our credit union's resources to better serve our community and members. Our CDFI Small Business Loan Program, launched in June 2025, now represents more than 10% of our lending and supports local start-ups and growing businesses.

Looking ahead, we are exploring ways to use federal funding to help low-income workers access training, certifications, and educational opportunities that support career growth. By connecting people, resources, and ideas, Kitsap Credit Union continues to provide solutions that strengthen our members, local businesses, and the broader community.



Building Financial Confidence Through Education

We believe financial education is key to long-term success. In 2025, Kitsap Credit Union reached more than 2,400 students across 20 schools, with new programs in development to expand to 28 schools. We delivered over 7,000 hours of in-person financial education and supported more than 17,000 online learning sessions for members of all ages across our community. These programs helped drive a 32-point increase in student financial literacy, equipping individuals and families with the confidence and skills to make informed financial decisions.

Continuing Our Commitment to You

Your trust drives everything we do. As we move further into 2026, Kitsap Credit Union is building on past successes to enhance your experience and make a positive impact in the communities we serve. Ongoing investments in technology, operations, and financial practices are helping us make banking easier, faster, and more reliable for you. By keeping your needs at the center of every decision, we are creating stronger financial experiences today and preparing for the opportunities of tomorrow.

Together, We Make a Difference

Your membership allows us to grow, give back, and make a meaningful difference in the lives of our members and neighbors. We are proud to have you as part of our journey and look forward to serving you in the year ahead and beyond.

On behalf of our leadership team, the Board, and our entire staff, thank you for your continued membership and support. What we accomplish is made possible through your partnership and shared purpose. Together, it's possible.





BOARD CHAIR REPORT

MIKE GOONEWARDENE, BOARD CHAIR

As the Board of Directors, our primary responsibility is to advocate for you, 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. Guided by a strong culture and a commitment to community service, Kitsap Credit Union continues to thrive as a best-in-class organization dedicated to serving its members.

Strong Financial Position and Strategic Growth

We are pleased to report that Kitsap Credit Union remains financially strong, as reflected in our 2025 financial statements. The organization is well-capitalized, with high-quality assets that provide a solid foundation for continued success. We extend our gratitude to our CEO, Shawn Gilfedder, the management team, and all staff for their exceptional performance in delivering sound management, strong results, and high regulatory compliance, particularly during a period of significant interest rate volatility and economic challenges.

Kitsap Credit Union reached important milestones in employee engagement, operational efficiency, and cultural development. These achievements have strengthened our foundation and positioned the credit union for sustainable growth, ensuring we continue to meet the evolving needs of our members and the communities we serve.

As always, the Board fully supports the organization as it pursues new and ambitious initiatives, confident in its ability to innovate, grow, and deliver lasting value for all members.

Milestones in Community Impact

In 2025, Kitsap Credit Union deepened its impact in the communities we serve by taking action to address local needs and create meaningful change. We participated in over 100 charitable events, demonstrating the power of collaboration and collective impact for members and neighbors. Through efforts such as our KCUCares Foundation Send Hunger Packing event, which supported local food banks and backpack programs, and partnerships like King5's Home Team Harvest, which donated 24 million meals to families across Washington, we raised more than \$150,000 to combat hunger. We also provided free financial wellness education to 20 high schools and expanded our online curriculum to reach even more adult and business members.

Kitsap Credit Union also laid the groundwork for an upcoming initiative using the Transportation Electrification Grant. We saw an opportunity to provide a shuttle to help individuals access the Bremerton Foodline, developed the concept, and connected the key organizations, including the grant providers, local businesses, and the food bank, so the shuttle can become a reality. This effort demonstrates how our credit union brings people together to create meaningful solutions for hunger in our region.

Thank You to Our Members

Your membership makes all of this possible. We are grateful for your trust and support, and proud to serve your financial needs as your cooperative and trusted partner. Together, we can continue making a meaningful difference in our members' lives and in the communities we share.



BOARD OF DIRECTORS



MIKE GOONEWARDENE

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



JIM ROWSON

TREASURER

Finance/ALCO Committee
Compensation Committee
Nominating Sub-Committee



KAREN HOLMES

SECRETARY

Finance/ALCO Committee



SUSAN BAKER

DIRECTOR

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



SIOBHAN CANTY

DIRECTOR

Governance Committee
Strategic Planning Committee



MATTHEW ELLSWORTH

DIRECTOR

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



VICKI GAMBRELL

DIRECTOR

Governance Committee
Strategic Planning Committee



VASUMA SARGENT

DIRECTOR

Finance/ALCO Committee
Compensation Committee



CHIEF FINANCIAL OFFICER REPORT

JASON ELLIOTT, SVP/CHIEF FINANCIAL OFFICER

Kitsap Credit Union remains deeply committed to supporting the financial success and well-being of you, our members. That commitment guides every decision we make and continues to be the foundation of our long-term financial strength.

Record-Breaking Balance Sheet Growth in 2025

One of the highlights of the year was strong balance sheet momentum. In 2025, Kitsap Credit Union achieved a historic first by surpassing \$2.52 billion in total assets. Total assets grew by 8.7%, exceeding both our budget and internal growth targets. Net loan balances increased by 7.7%, driven by healthy organic loan production and strategic loan participation purchases. Deposits also grew by 9.0%, reflecting continued member confidence and strong engagement with Kitsap Credit Union. This historic growth reflects both the strength of our cooperative model and the trust you continue to place in your credit union.

Returning Value to Members

While higher deposit rates increased our cost of funds, they represented a deliberate choice to return value directly to you. By offering competitive rates on savings, money market accounts, and certificates, we helped members earn more on their deposits while maintaining a stable and diversified funding base. Even with this investment in member value, the credit union delivered solid financial results, with net income totaling \$8.6 million in 2025. Earnings strengthened in the second half of the year as balance sheet actions took effect, core earnings improved, and expenses remained well controlled. Supporting member value remains a priority, alongside maintaining long-term financial strength.

Capital Strength

Capital strength remains a cornerstone of Kitsap Credit Union's financial position. Our capital levels continue to exceed regulatory well-capitalized standards, providing stability, flexibility, and the ability to invest in the services and tools you rely on.

This strong capital position allows us to manage growth responsibly while continuing to meet member needs.

Disciplined Management Supporting Sustainable Growth

Throughout the year, we took a disciplined and thoughtful approach to managing your credit union's balance sheet. Our focus remained on maintaining strong liquidity and funding stability while continuing to meet member demand across our core products. On the lending side, pricing strategies were adjusted to support growth while maintaining prudent margins and sound credit practices. Thoughtful management also extends to how we assess and prepare for potential risks.

Strong Credit Quality and Prudent Risk Management

Credit-related expense increased in 2025 as loan growth and changes in portfolio mix resulted in a higher allowance under our Current Expected Credit Losses (CECL) methodology. This increase reflected a progressive and forward-looking build in reserves rather than a sudden shift in credit performance. Credit quality and reserve management remain an important focus, positioning the credit union to navigate future economic cycles while continuing responsible growth.

Economic Environment

The economic environment in 2025 remained challenging but generally stable. Inflation continued to ease, and later in the year the Federal Reserve began lowering short-term interest rates. At the same time, higher rates earlier in the year, ongoing geopolitical uncertainty, and evolving economic policies created a cautious backdrop for financial institutions nationwide. Despite these conditions, resilient labor markets helped support consumer activity in the communities we serve.

Well Positioned for the Future

As we enter 2026, we remain cautiously optimistic. While economic uncertainty persists, Kitsap Credit Union is well positioned with strong balance sheet

fundamentals, improving core earnings, and a continued focus on disciplined financial management. We are confident in our ability to adapt and continue supporting you through changing economic conditions.

On behalf of our leadership team and employees, thank you for placing your trust in Kitsap Credit Union. This milestone and our continued success would not be possible without you, and we look forward to serving you and supporting your financial goals in the year ahead.





CHIEF CREDIT AND LENDING OFFICER REPORT

JASON PENDERGIST, SVP/CHIEF CREDIT AND LENDING OFFICER

Kitsap Credit Union is proud to reflect on 2025 as a year of significant milestones and meaningful progress in serving you, our members. Throughout the year, we focused on growing responsibly, supporting your financial goals, and strengthening the foundation of the credit union for the future. Thanks to your continued trust and engagement, we achieved record results across lending, collections, and portfolio performance, marking a year of meaningful accomplishments.

Even in a competitive rate environment, we balanced pricing with long-term financial strength to ensure loans remained sustainable and affordable. While this affected some capture and funded ratios, it preserved the credit union's stability so we can continue serving you reliably for years to come.

Strongest Lending Year in Over Four Years

Together, we exceeded our annual lending goal by more than \$7 million, delivering nearly \$800 million in total loan production from over 71,000 applications. Growth in 2025 spanned consumer, auto, real estate, mortgage, small business, and indirect lending. Indirect lending totaled \$261 million, core consumer lending reached \$234 million, and real estate lending contributed \$73 million. December production alone was \$62.1 million, achieving over 95% of the monthly goal and marking our strongest December since 2022.

This marks our strongest lending year since before 2022, excluding prior one-time programs, and demonstrates our ongoing commitment to supporting your financial goals. These results reflect both member demand and the credit union's dedication to providing reliable, accessible financing.



Thoughtful Credit Decisions

By year-end, we approved just over half of all loan applications, with fewer than half ultimately converting to funded loans. This disciplined approach reflects careful credit selection and a focus on long-term member success.

Higher-quality borrowers accounted for a disproportionate share of funded loans. While prime applicants represented a smaller portion of total applications, they comprised a significant share of funded volume. Mid-tier borrowers made up the largest portion of funded loans, and lower-tier applicants, though a notable share of applications, contributed a smaller fraction of funded volume.

In December, approved borrowers demonstrated substantially stronger credit profiles than those who were declined, highlighting the effectiveness of our underwriting process. Strong approval and funding results during the month reflect efficient execution and a deliberate emphasis on credit quality and financial stability.

Maintaining Credit Health

Reported charge-offs in 2025 reflected intentional steps to align practices with policy and strengthen long-term portfolio health. We identified opportunities to improve processes and ensure loans are managed consistently. Fourth-quarter charge-offs are estimated near \$8 million, primarily reflecting these improvements. December charge-offs totaled just under \$2 million, below projections, thanks to stronger collections performance.

Collections results peaked in December, with 1,365 promises kept, delinquency improving to 78 basis points, and delinquent balances declining by \$1.1 million. These outcomes support long-term stability and help protect your financial well-being.

Portfolio Highlights

December was the strongest month for vehicle location, with 52 vehicles sold, reflecting careful management of repossessions. Solar loan performance improved steadily throughout the year, with charge-offs projected to decline about 10% in 2026 despite some month-to-month fluctuations due to larger individual loan balances. Commercial lending continued to support local businesses and is positioned to grow in 2026. Strategic management across all portfolios ensures we continue serving both individual and business members effectively.

Preparing for 2026

In 2026, we are focused on execution and improving lending for our members. Centralizing teams and processes with modern technology will help reduce turnaround times and create a smoother lending experience. Automation will enhance efficiency through better fraud detection, income verification, and refined credit scoring, while commercial real estate and business lending will continue to support local economies and member-owned businesses.

The work completed in 2025 has strengthened the foundation of your credit union. With improving credit trends, stronger operations, and a focus on serving you, we are well positioned to help you achieve your financial goals in 2026 and beyond. We are grateful for your continued trust in Kitsap Credit Union and look forward to supporting you in the year ahead.





SUPERVISORY COMMITTEE REPORT

JEREMY JOHNSON, SUPERVISORY COMMITTEE CHAIR

As your Supervisory Committee, we are committed to our role in safeguarding your assets and contributing to the continued success of Kitsap Credit Union. 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 a comprehensive audit plan, 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 Information Technology systems, all to ensure your membership is protected.

Annual Audits and Regulatory Examinations

For the fiscal year 2025, the Supervisory Committee engaged Baker Tilly, 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 Trace 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 2025, indicating that our capital remains satisfactory in relation to our current and prospective risk profile, and well-positioned to support you now and in the future.

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 all audits performed across various Kitsap Credit Union departments and service centers. The Committee also oversaw the remediation and closure of any issues identified during these audits. This ongoing oversight helps protect your assets and maintain the credit union’s strong financial foundation.

Focus on Risk and Governance

In 2026, our work will place a clear emphasis on risk and governance. We will continue evaluating roles, accountability, and escalation to make sure issues are identified early and addressed promptly, with transparency that supports member and stakeholder confidence. Compliance will remain a priority, with attention to regulatory updates and internal audit work aligned with the credit union’s objectives. We will also stay closely connected with departments and stakeholders so emerging risks are addressed in time and appropriate oversight is in place, helping the credit union operate safely and effectively for all members.



Adapting to Emerging Technologies

Internal audit will also evolve alongside the credit union’s expanding use of AI and other emerging technologies. Protecting your data and privacy comes first, with controls in place to safeguard your information as systems become more connected and automated. We will also expand data-driven audit practices to sharpen coverage and keep pace with technology adoption across the organization. Our goal is to provide relevant, forward-looking assurance that keeps your membership secure as the credit union grows and evolves.

On behalf of the Supervisory Committee, thank you for your continued membership and trust in Kitsap Credit Union. Your loyalty makes this work possible, and we remain committed to protecting your assets and supporting your financial well-being.



JEREMY JOHNSON

CHAIR



NORMAN NAULT

SECRETARY



SUZANNE APPEGATE

SUPERVISORY COMMITTEE MEMBER



LUCY LU

SUPERVISORY COMMITTEE MEMBER



PAUL SHINNERS

SUPERVISORY COMMITTEE MEMBER



STATEMENT OF FINANCIAL CONDITION

	2023*	2024*	2025*
ASSETS			
Total Loans	1,834,577,568	1,816,228,447	1,959,212,705
Less Allowance	<u>(24,819,622)</u>	<u>(33,232,200)</u>	<u>(39,090,589)</u>
Net Loans	1,809,757,946	1,782,996,247	1,920,122,116
Cash & Equivalents	129,135,830	122,048,563	161,758,410
Investments	319,874,485	319,524,703	322,114,617
Property & Equipment	26,681,338	26,884,913	27,039,735
Other Assets	83,154,775	68,546,764	91,210,377
Total Assets	<u>2,368,604,374</u>	<u>2,320,001,190</u>	<u>2,522,245,255</u>
LIABILITIES & EQUITY			
Total Liabilities	237,697,382	136,473,655	128,220,333
Total Shares	2,000,491,309	2,054,186,655	2,239,339,985
Total Reserves	130,415,683	129,340,980	154,684,937
Total Liabilities & Equity	<u>2,368,604,374</u>	<u>2,320,001,190</u>	<u>2,522,245,255</u>

*For the Twelve Months Ending December 31 (unaudited)



INCOME STATEMENT

	2023*	2024*	2025*
INTEREST INCOME			
Interest Income on Loans	101,698,126	118,380,826	125,375,807
Interest Income on Investments	<u>9,924,942</u>	<u>10,620,961</u>	<u>17,717,040</u>
	111,623,068	129,001,788	143,092,847
INTEREST EXPENSE			
Dividend Expense	26,950,257	43,296,611.5	40,014,607
Interest on Borrowed Funds	<u>9,699,147</u>	<u>5,690,734</u>	<u>10,263,981</u>
	<u>36,649,404</u>	<u>48,987,346</u>	<u>50,278,588</u>
NET INTEREST INCOME	74,973,664	80,014,441	92,814,259
Provision Loan Loss	<u>19,158,112</u>	<u>25,158,231</u>	<u>33,557,661</u>
AFTER PROVISION EXPENSE	55,815,552	54,856,210	59,256,598
NON-INTEREST INCOME			
Fees and Other Charges	10,127,161	9,956,740	10,489,707
Other Non-Interest Income	14,276,300	15,202,899	16,439,137
Gain (Loss) Sales of Assets	<u>402,031</u>	<u>44,528.49</u>	<u>1,147,674</u>
	24,805,492	25,204,167	28,076,518
NON-INTEREST EXPENSES			
Compensation & Benefits	33,222,886	37,481,157	38,975,556
Office Occupancy	3,390,246	3,214,880	3,344,769
Office Operations	17,932,087	17,436,288	18,700,729
Other Non-Interest Expense	<u>16,993,084</u>	<u>15,906,624</u>	<u>17,697,477</u>
	71,538,303	74,038,949	78,718,531
NET INCOME	9,082,741	6,021,429	8,614,585

*For the Twelve Months Ending December 31 (unaudited)



BY THE NUMBERS

ASSETS – IN MILLIONS



LOANS – IN MILLIONS



SHARES – IN MILLIONS





800.422.5852 | kitsapcu.org