



2024

ANNUAL REPORT

Our Path to Reconciliation

Kawartha Credit Union acknowledges that their Head Office is located in Nogojiwanong on Treaty 20 land, in the traditional territory of the Michi Saagiig and Chippewa Nations known as the Williams Treaty First Nations.

We respectfully acknowledge that Indigenous Peoples are stewards of these lands and waters and that they continue to maintain and carry out this responsibility to ensure the health and integrity for those who are here now, and for future generations.

We have a responsibility to nurture respectful relationships with Indigenous communities and learn about the rich history of Indigenous Peoples. We acknowledge that we are able to live, learn, and work on this land and give thanks for the many opportunities this privilege provides us.



ASSETS

\$2.3

BILLION

TOTAL ASSETS

+5.1% GROWTH

DEPOSITS

\$2.0

BILLION

TOTAL DEPOSITS

+6.7% GROWTH

\$0.6

BILLION

DEMAND DEPOSITS

\$1.4

BILLION

TERM DEPOSITS

CONSUMER LENDING BALANCES

\$1.6

BILLION

+2.3% GROWTH

COMMERCIAL LENDING BALANCES

\$0.5

BILLION

+16.2% GROWTH



58,035

ACTIVE MEMBERS

23

BRANCHES

346

EMPLOYEES

100%

MEMBER OWNED

72+

YEARS OF HISTORY

Report to our Members

On behalf of the Board of Directors and Executive Leadership Team, we are pleased to share the accomplishments Kawartha Credit Union achieved in 2024.

In the year, we made significant strides in strengthening our relationships with our members and we are pleased to report that member engagement remains strong. We expanded our product offerings, enhanced in-person and digital services for our members, and made a meaningful difference in the communities where we live and work. Our teams supported our members with care and expert advice, delivering improved financial results year-over-year despite the impacts of the economic environment.

We made excellent progress on our Business and Strategic Plans, delivering on our key strategies. We implemented process improvements and new technologies to make it easier for our members to do business with us. The 2,300 internal referrals across our lines of business helped us better meet our members' needs by taking a more holistic approach to providing the advice and services they need to support their financial well-being, driving growth in all our lines of business.



Report to our Members

Kawartha's net income improved year over year. Improved margins starting in September allowed us to rebound from the headwinds of margin compression we experienced through 2023 and 2024. Our strategy to accelerate our Commercial and Wealth business lines, in addition to growth in insurance and credit cards, resulted in a strong increase in other income. We continued to invest in our employees and initiatives to support business growth. We are proud that Kawartha remains a top 10 credit union in Ontario with \$2.3 billion in assets.

The well-being of our members and communities remained top-of-mind as we assisted many social causes and initiatives through \$180,000 in Community Involvement Program donations and employee volunteerism. Giving back has always been a pillar of Kawartha's culture, and our value of Care for Others is embedded in everything we do.

The satisfaction and engagement of our employees is the foundation of our business, and we work to ensure that all employees feel safe and have a sense of belonging and inclusion. Employees are encouraged to share their experience and ideas to grow and improve all areas of our organization. In 2024, we invested \$115,000 to equip our teams with the skills and capabilities needed to excel in an evolving and increasingly competitive financial landscape.

Debit Mastercard® was introduced in 2024 to the delight of many of our members to support online e-commerce transactions. Stronger digital capabilities enable our key strategy to attract younger members to Kawartha. In 2025 we will continue to enhance our digital capabilities to capture an increased share of this segment of the market.

Perhaps the most exciting news in 2024, was that the members of the Smiths Falls Community Credit Union voted in favour of joining operations with Kawartha. Smiths Falls members will have access to enhanced banking and wealth management services through Kawartha while retaining their familiar location in downtown Smiths Falls. We are delighted to welcome Smiths Falls Community Credit Union members to Kawartha.

Future Plans

As we move into 2025, member engagement will remain a key focus to deepen relationships with our members and their broader households, attract new members, and increase engagement, satisfaction and loyalty.

Additional growth will be derived from the opportunities that exist in our Wealth Management and Commercial Banking portfolios. These areas of growth will be supported by developing relevant products and services to support our members' financial success, and enhancing our branch network and digital delivery channels to improve their banking experiences. We will consider expanding into new or existing markets through mergers and acquisitions as opportunities arise.

Our members can expect new technological introductions in 2025. We are excited about the launch of online account opening. This new functionality will enable new and existing members to open a Kawartha account online. In 2025, members will also have the ability to temporarily block lost or stolen cards to prevent them from being used, and they will be able to send and receive scheduled and reoccurring e-Transfers using mobile or desktop banking.

PURPOSE

We exist to support the financial success and well-being of our members and the communities we serve.

VISION

A leading credit union, uniquely powered by heart and soul, who is passionately committed to the financial success and well-being of our members, employees and the communities we serve.

VALUES

Integrity, Excellence in Member Service, Fun, Care for Others, Independence

GOALS

Grow the business and our membership, with a strong focus on member and employee engagement.

In Closing

Kawartha's greatest strength is our steadfast commitment to our purpose and values, evidenced in the care and compassion we show our members and each other. The dedication and loyalty of our employees is the foundation of our business, and we are invested in their ongoing career growth and success. Whether earning new accreditations, transitioning into new roles, serving our members with excellence or volunteering in our communities, we congratulate our amazing teams for their hard work and achievements.

Our Board and Executive Leadership Team demonstrated strong oversight and agility to ensure that Kawartha remains strong and resilient as we pursue our strategic goals. We are proud of the engagement we see across our organization; members continue to trust us with more of their business and our employees support them to ensure their financial success. The testimonials members have shared with us throughout the year are clear indicators that we practice "banking in your best interest." We encourage you to refer your friends and family to Kawartha. From profit sharing and outstanding member service, to the support we provide to important causes, together we can strengthen our credit union and our communities.

We extend our sincere thanks to our members and employees for your contributions to Kawartha's success in 2024. We appreciate your trust and your business.

Respectfully submitted,



Norah McCarthy
President & Chief Executive Officer



Allison Chenier
Chair, Board of Directors

2024 Accomplishments

Members

- As a result of our ongoing focus on member experience and engagement, member satisfaction remains strong with a 73 Net Promoter Score (NPS).
- We achieved double-digit growth in our Wealth and Commercial businesses by continuing to capitalize on opportunities to deepen relationships with members.
- 2,300 referrals between our lines of business helped us meet our members' broader needs by engaging our experts across Kawartha.
- We launched competitive products which attracted new members and increased our share of wallet. The HighER Interest Savings Account (HISA) brought \$60MM in new funds and our Business HISA attracted \$11MM since its debut in September.
- Our new Debit Mastercard rolled out to members, supporting online e-commerce purchases. Enhanced digital capabilities will help us capture a younger demographic in an increasingly digital landscape.
- We expanded and improved our suite of partner products, including Sonnet Home & Auto Insurance and Allianz Digital Travel Insurance.
- We relaunched the much anticipated business credit card, which contributed to a record year in overall credit cards sales.
- We evolved our Contact Centre operations, including proactive outbound calling and more agents to support members' lending and wealth management needs.

Employees

- We transitioned to a new benefits provider and benefits plan for our employees. This commitment to employees' well-being is key to their overall engagement and satisfaction with Kawartha.
- Retention was high as we worked to ensure employee satisfaction and retain our talented employees.
- We introduced many process improvements, reduced process irritants, and provided strong training to support a great employee experience.
- We recognized and celebrated many career milestones and achievements.
- Camaraderie was felt and enjoyed by all teams as we participated in events organized by our Spirit Squad.
- Monthly all-staff calls continued to be popular, keeping everyone up-to-date on our progress in achieving our corporate goals.

2024 Accomplishments

Communities

- We welcomed Smiths Falls Community Credit Union members to Kawartha and we look forward to the opportunity to support their financial needs and goals.
- We continued to invest in the well-being of our communities with \$180,000 in donations to causes that help strengthen and enrich the places we call home.
- Over \$28,000 was raised for over 80 organizations and initiatives, above and beyond our corporate Community Involvement Program, reflecting the ongoing dedication of our members and employees.
- We supported Peterborough's Dragon Boat Festival as the Platinum Sponsor for the 23rd consecutive year.
- We launched our new Three Trees Referral Program which has increased word-of-mouth referrals and member growth. The program pays homage to our logo and symbolizes our roots in the communities we serve. Members can earn \$25 for each new member they encourage to join, and the new referred member receives \$25 to kickstart their journey with us. For each new member that is "sprouted" from the program, we will help restore essential forest cover by funding the planting of three trees through Tree Canada.

Technology & Operations

- Technology updates, enhancements and releases were completed to keep our systems current and secure, including dual authentication for online transactions, new fraud detection tools, device binding, and a password generator.
- Significant work was completed on the online account opening functionality (AOS) for new and existing members. The launch is anticipated for early 2025.
- Our new commercial lending system and merchant payments solution were successfully implemented and will help us better serve our business members while providing better processes for our employees.
- We maintained strong compliance and governance to meet our regulatory and legislative requirements. Successful audits were also completed by FINTRAC and Aviso Wealth in 2024.

Recognition & Awards

Living Wage Employer Certification

In June 2023, Kawartha received the Living Wage Employer certification from the Ontario Living Wage Network. It ensures that our valued employees are treated with respect, that we have their best interests at heart, and that they work in a safe and fulfilling environment. Organizations with a Living Wage designation benefit from increased employee loyalty and satisfaction, and local communities and economies realize many benefits as well.



In 2024, our Living Wage Employee designation enabled us to help address the shortfall between what governmental sources see as necessary wage increases (minimum wage) and what an individual or family actually need to succeed (Living Wage). This year, the Living Wage positively impacted approximately 75 employees. We are proud to be part of the community of 873 living wage workplaces in Ontario who see the link between wages and people's ability to enjoy life and participate in their communities.

Best Mortgage Experience Award

Kawartha is pleased to receive a "Best of The Best" Award for Best Mortgage Experience from MemberXP (MXP) for the third consecutive year. MXP is a partner company that deploys surveys to Kawartha's members after they apply for a loan or mortgage or open an account.



MXP's annual competition focuses on two universal experience metrics: Net Promoter Score (NPS)® and Member Effort Score (MES). MXP identifies and verifies the top 25% of performers in each financial experience category, leading to the presentation of the Best of the Best awards. Kawartha stands among this elite group, exemplifying excellence in member satisfaction and service. We congratulate our lending teams on this impressive achievement.

Board of Directors



Allison Chenier
Board Chair



Jeff Carter
Vice Chair, Governance
Committee Chair



Mary McGee
Corporate Secretary



Nancy Herr
Audit & Risk Committee Chair



Robert (Bob) Lake
Nominating & HR Committee Chair



Thomas Gregoriades
Director



Colin McKeen
Director



Judy Cameron
Director



Adam Harvey
Director

We sincerely thank retiring Director Nancy Herr for nine years of service on our Board. Nancy was elected in 2016 and held the position of Chair of the Board in 2022 and 2023. She also served on the Audit and Risk Committee and the Human Resources and CEO Recruitment Committees. We are grateful to Nancy for her unwavering dedication to Kawartha's success. Her knowledge, commitment and wonderful sense of humour will be missed.

Executive Leadership Team



Norah McCarthy
President & Chief
Executive Officer



Mark Oakes
Chief Financial Officer &
Chief Risk Officer



Brad Best
Executive Vice President,
Information Systems &
Corporate Services



Jennifer Bacon
Executive Vice President,
Human Resources

Crystal Dayman, Executive Vice President, Marketing & Corporate Communications, retired in June 2024 after 18 years of service. Known for her integrity, authenticity, and care for others, Crystal played an integral role across many areas of our business by championing brand, advertising and marketing standards and strategies that have enhanced awareness of Kawartha. Crystal was a driving force behind our Community Involvement Program, resulting in our participation in fundraising and volunteer initiatives for which Kawartha has become known in the communities we serve. We express our sincere gratitude for her leadership, her unwavering commitment to our members and employees, and her passion for Kawartha.

Community Involvement

For decades, Kawartha Credit Union has strengthened our communities by providing financial and volunteer support to social causes and initiatives where we live and work. Our commitment to impacting positive change is embedded in our culture. In 2024, Kawartha's corporate Community Involvement Program donated over \$180,000 to more than 65 charitable organizations and social initiatives in our communities. In addition, our branches and departments organized over 80 initiatives to raise more than \$28,000 for important causes.

Our members and employees generously volunteered their time and talents to make a meaningful difference for those in need of a helping hand. More than one million Ontarians turned to food banks in 2024, a 25% increase compared to the previous two years. Feed Ontario states that 69% of food banks in their network are concerned about having insufficient food supply to meet the growing demand, while 53% are worried about securing enough funding to continue their important work. Kawartha Credit Union wanted to do its part, and from November to December, each of our branches hosted a food drive. In addition, each branch donated \$500 to their local food bank which helped feed families and individuals who rely on these resources.

Throughout the holiday season, our teams found many other ways to support vulnerable members of their communities, including collecting warm socks for the homeless, gathering stocking stuffers for seniors, and volunteering at toy drives.



Brockville branch presents a donation to Brockville & Area Food Bank.



Norah McCarthy (centre), Kawartha's President and CEO, shares in presenting the proceeds from Peterborough's Dragon Boat Festival to Leslie Heighway, President & CEO, PRHC Foundation. Kawartha is the Platinum Sponsor of the Festival.

Community Involvement



Volunteering at Kawartha Food Share



BEL Rotary Polar Plunge fundraiser



Peterborough's Dragon Boat Festival



Volunteering with Plant Kawartha in Coboconk



Huntsville Hike for Hospice



Donation drive for Kingston Interval House

Event Participation



Peterborough Musicfest



Parry Sound Maple Fest



Kingston Movies in the Square



Princess Street Promenade, Kingston



The Local Show, Kingston



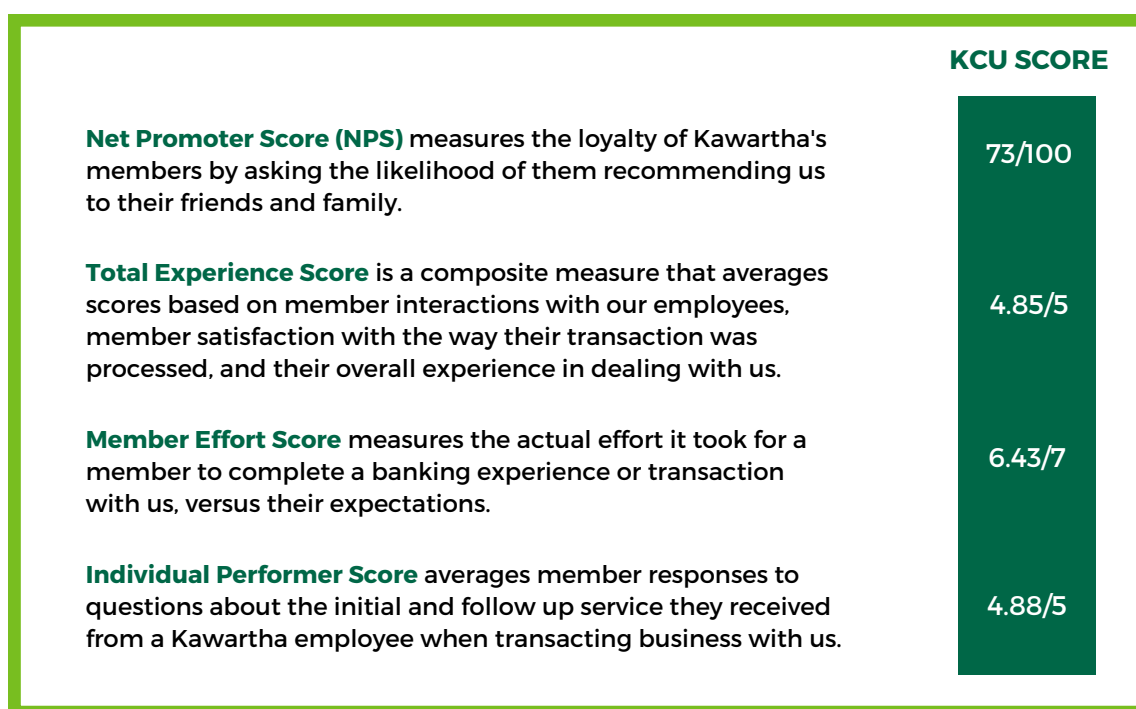
Open House, Riverview Branch, Kingston

Member Engagement

Kawartha's employees focus on continually improving member experiences with every interaction. Our commitment to this was demonstrated in 2023, when we established our Member Experience Council. Comprised of employees from all areas of our business, the Council reviews key business changes to ensure that new products, services and technology innovations result in helpful and relevant experiences for our members. In 2024, the Member Experience Council kept members' best interests at the forefront of new developments in our lines of business, informing best practices for implementation and roll out.

We strive to offer the advice our members need and want at every stage of life. Several in-person information sessions were held last year to provide members with relevant and useful information to assist in their financial journeys. Topics included first time home buying, estate planning, and wealth management.

Kawartha uses MemberXP (MXP) surveys to gain valuable feedback from our members about their interactions with us. In recent years, these surveys encompassed several areas of our business including mortgages, personal and commercial loans, and financial planning. In April 2024, we transitioned the focus of the surveys to new member experiences. New members completed 493 surveys and our results are very strong, reinforcing that our members continue to have positive experiences with our knowledgeable and caring employees.



Member Engagement

We understand that now, more than ever, our members are concerned about their financial well-being. We have continued to provide timely financial advice, whether it is guidance on saving for retirement, buying a home, or providing peace of mind through estate planning.

We sincerely thank our employees for delivering exceptional member experiences, and we appreciate that our members took the time to complete the surveys and provide such positive feedback.

“

Very professional and pleasant experience changing from another bank. I am very happy to have joined Kawartha Credit Union.

Best banking experience I could have wished for. Personal, very professional and fast. What a delightful experience!

Very satisfied with the staff - very personable, and easy to talk to. All of the employees I spoke with were extremely helpful.

It is refreshing to bank with an institution that values its clients. I have had nothing but compassion and help from KCU.

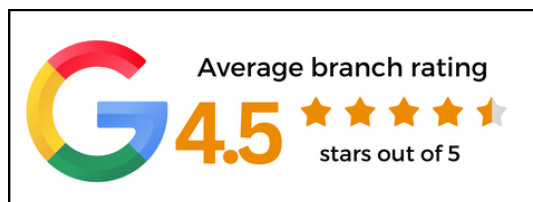
From the moment we walked in the door the entire staff was so friendly, professional and courteous. We cannot recommend Kawartha enough - the entire experience has been great!

KCU aligns with my core principles: a balance of both community and finance.

”

Member Engagement

In 2024, Kawartha also launched our first Google Reviews campaign and collected 217 surveys in a two month span, 213 of which had 5 star ratings. These high ratings are a testament to the service provided to our Kawartha members.



“

Great, friendly, safe, knowledgeable and they know who you are! Great rates and banking advice to go with it.

We have been banking with Kawartha for over 5 years and the service has been excellent from day one. I would recommend banking there to anyone who doesn't want to feel like just a number.

Amazing service and incredible staff. I'm sorry I didn't move to KCU sooner! It was nice to be treated like a human being for a change (unlike the banks). I strongly recommend them!

Very friendly, excellent service and I love the privacy of all transactions. I have never had a bad experience, and I highly recommend them.

I honestly don't know where to begin! I've only been dealing with Kawartha Credit Union for a few years. In that time they have helped me more than my one and only other bank which I've had for 40 years! They care about their customers and you are a person to them! They show empathy and truly want to make things easier for you. I will be closing my other accounts to deal solely with Kawartha going forward, and I will be referring them to everyone I know. From the bottom of my heart thank you for all you do!

I had a fantastic experience setting up my first business account. The receptionist, the person who set up my account, and the branch manager have all impressed me and were friendly, professional, courteous, and welcoming.

”

Wealth Management

In 2024, our Wealth team achieved double-digit growth by continuing to focus their efforts on providing our members with expert advice and personalized solutions. We expanded our Wealth Management team to support our members across our branch network, providing needs-based advice for every stage of life. We helped members create financial plans, work toward their savings goals, prepare for retirement, and arrange their estate.

Kawartha's Wealth advisors are Responsible Investing Certified or are in the process of attaining their certification, and five hold Certified Financial Planner designations. Armed with experience and skill, they created hundreds of customized financial plans for our members in 2024.

The team delivered presentations in Kingston and Huntsville this year where economic updates were provided along with advice on estate planning, and succession planning for small business owners.

Our Wealth advisors use leading edge software to provide members with customized financial plans and information to help support their investment decisions. We also introduced an AI-driven software tool that helps our Wealth advisors deliver customized advice in a more time efficient and comprehensive manner.



Wealth Management

In May 2024, Kawartha Credit Union received the results of a member survey that was conducted by Aviso, our Wealth Management partner company. This survey gauged the experiences of our members who use Aviso Wealth Management services for investments and mutual funds.

We are proud to share that Kawartha's 2024 Net Promoter Score (NPS) was 55 which is a 33.5% increase over 2023. Kawartha's score was an impressive 21 points higher than the overall average of the credit unions who participated in the survey.

Our Customer Satisfaction Score (CSAT) was 75 in 2023 and 74 in 2024. We are thrilled to report that member satisfaction with their Kawartha advisor was 93% and satisfaction with their financial plan was 92%.

Other survey highlights include:

	Score
KCU makes it easy for me to plan for financial goals	78%
Satisfaction with KCU Advisor	93%
Satisfaction with their financial plan	92%
My advisor makes me feel valued and heard	81%
My advisor is committed to contributing to my financial well-being	80%
My advisor goes the extra mile to ensure I am satisfied	76%

Contact Centre

Staffed by knowledgeable and experienced employees who live and work in our branch communities, our dedicated Contact Centre team supports our members' financial success by providing expert advice and service.

In 2024, our Contact Centre answered over 103,000 calls and conducted over 8,000 chatbot and live chat interactions with members.

Calls answered	103,000
Chatbot and Live Chat	8,000

We also increased proactive outbound calls to our members to identify other areas where we can support their financial success.

Our members rely on this essential service channel and we continued to invest in our Contact Centre capabilities by adding additional mutual fund licensed employees and supporting broker mortgages.



Member Support

Retail

2024 was a year for new products and service enhancements. In the Spring, we offered our members a HighER Interest Savings Account (HISA), enabling them to earn higher interest on their savings. This product attracted new members and resulted in \$60MM in new funds to Kawartha.

A new partnership with Sonnet Home and Auto Insurance gave members convenient online access to improved insurance coverage and discounts, while Allianz Digital Travel Insurance rounded out the offering. We also launched pre-approved credit cards, making it easier for members to access credit.

Relevant, needs-based advice is key to providing outstanding member experiences and in 2024, we assisted thousands of members with expert support.

2,300+

Internal referrals to Wealth
Management and
Commercial Services

15,000+

Member appointments
completed

87,000+

Walk-in appointments
completed



Business Banking

2024 was an outstanding year for business banking at Kawartha, with 16% growth in commercial loan balances, closing the year at \$484MM. The Commercial Services team achieved these impressive results by deepening relationships with members and meeting their broader needs.

Local businesses are a driver of economic growth in the communities we serve. Our Commercial Services experts are committed to our members' success, and we support these businesses with a full range of products and services. In March, we introduced merchant payment services giving business members an innovative payments solution while also providing Kawartha with a new source of revenue.



To offer more value to our members, we launched our Business High Interest Savings Account (HISA) in September resulting in deposits increasing from \$2.7MM to \$13.6MM. In response to member demand, we relaunched a Collabria business credit card, and we enhanced our Small Business Lending program with local branch decision-making and expedited adjudication.

We continued to invest in our Commercial Services team, adding two Commercial Account Managers to support coverage across our regions.

We implemented a commercial lending system in 2024 to support the growth of the commercial portfolio. This technology automates the lending application process, helping us better meet the evolving needs of our business members by creating administrative efficiencies. Staff training began in late 2024 and we expect full adoption by the end of 2025.

Outstanding Member Service

In October, Ipsos announced the top honours for its 2024 Financial Service Excellence Awards, an annual program that recognizes Canadian financial institutions for excellence in customer experience. This is a testament to credit unions' commitment to providing exemplary member service and speaks to the vital role they play in providing financial services to Canadians.



This year's awards were based on the combined results of 47,946 surveys completed by a demographically and regionally representative sample of Canadians.

Among all financial institutions in the retail banking sector, Canada's Credit Unions lead the way with six awards, including a 20th consecutive win for overall Customer Service Excellence. Canada's Credit Unions also won awards for:

- Customer Service Excellence
- Values My Business
- Financial Planning and Advice
- Branch Service Excellence
- Online Banking Excellence
- Live Agent Telephone Banking Excellence

The IPSOS awards are important to Kawartha as they help to increase awareness of our primary differentiator and core value of Excellence in Member Service. We sincerely thank our employees for the dedication to service excellence which contributed to this accomplishment. We are proud of what these awards represent for Kawartha and the Canadian credit union system.

People & Culture

Kawartha Credit Union is committed to creating fulfilling work experiences for our employees. We take many actions to accomplish this, from welcoming new employees to our company in a meaningful way, to investing in training and coaching to foster our employees' professional growth and success. We work to ensure that all employees feel safe and have a sense of belonging and inclusion through Diversity, Equity, Inclusion & Belonging (DEIB) initiatives and Health and Safety Committee representation. We encourage employees to contribute to the business by sharing their diverse experiences and ideas. In 2024, our employees contributed to many process and technology enhancements which resulted in greater efficiencies and simpler, more satisfying member interactions with us.

We are pleased that we had low employee turnover as we worked to ensure employee satisfaction was strong to retain our talented people. In 2024, we also transitioned to a new benefits provider and benefits plan to support our employees' needs.

We strive to make work enjoyable by organizing Spirit Week events, celebrating career milestones, recognizing outstanding performance, and by keeping our employees up-to-date through regular all staff calls. Through these initiatives, we empower our people and foster a caring culture that drives both individual and organizational success. And finally, this year we were thrilled to participate in the Kawartha Thrives – Walk the Branches Challenge. 25 teams comprised of 125 employees each embraced the goal of walking 828 km - the cumulative distance of Kawartha's branch network. The total distance walked by all teams was 21,524 kilometers, and 16 teams made it to the finish line. This initiative is just one example of the way we motivate and support each other in our commitment to wellness.



Learning & Development



346
employees

Kawartha Credit Union is committed to investing in our employees' personal growth and professional success. In 2024, we allocated over \$115,000 to enhance our teams' capabilities and skills.



23
employees
achieved
professional
certifications and
designations

23 employees demonstrated their dedication to excellence by achieving professional certifications and designations. 108 employees earned our Advisory Excellence Certificate, achieved by completing over 40 hours of specialized training to strengthen advisory capabilities.



108
employees earned
our Advisory
Excellence
Certificate

We welcomed 38 new employees into our organization and supported the career progression of 31 individuals who transitioned into new roles. Reinforcing our coaching culture and our commitment to continuous development and leadership growth, we launched a comprehensive coaching program for all employees.



38
new employees
welcomed

We also integrated our Personal Development Plan (PDP) program into our centralized learning management system, making it easier for employees to set personalized goals and benefit from coaching throughout their learning journey. Since the launch, over 70 new PDPs were created, which has contributed to employee engagement and satisfaction.



31
employees
transitioned
into new roles

Through these initiatives, we continue to empower our employees, fostering a culture of learning that drives both individual and organizational success.

Employee Recognition

Kawartha recognized many milestones with company-wide celebrations throughout the year.

Career Celebrations

Years of Service	Employees Celebrated
30 years	4
25 years	3
20 years	3
15 years	10
10 years	8
5 years	20

Retirements

We extend our sincere appreciation and best wishes to the following retirees for their years of service. They remain a part of our Kawartha family.

Retiree	Years of Service
Lana Koch	26 years
Crystal Dayman	18 years
Penny Miller	16 years
Anne Bushey	12 years
Rosalie Verkin	10 years
Cheryl Thorne	9 years
Keith Parry	5 years

Recognition Awards

The contributions of our colleagues are recognized through our annual Recognition Awards program. 325 nominations were received for employees who represented our values, demonstrated integrity and leadership, went the extra mile for their co-workers and members, showed care for others, and contributed to our corporate goals. At our yearly Employee Celebration, we recognized our award recipients for their hard work and their dedication to Kawartha's success.

We congratulate our award winners and nominees for their tremendous contributions to our credit union.

Congratulations to our 2024 Recognition Award winners, and to all of our amazing employees who were nominated.



Summit Awards

These quarterly awards recognize the achievements of Kawartha's top performers. Winners are chosen by managers based on the criteria of overall performance, achievement of goals, proactivity in learning, peer recognition, representation of Kawartha, and actions that go above and beyond in their role. In 2024, we had 28 Summit Award winners.

Advisory Specialists: **Sheila McCrank, Denise Riddell, Stephanie Ciesielczyk, Lessa Issa, Ryan Dales, John Kehoe, Tammy Haldane, Stephanie Kench**

Frontline Advisors: **Nathan Robinson, Jessica McNutt, Rhonda Harvey, Jenna Nisbet, Brittany Birrell, Deanna Hunt, Tanya Ardron, Shelby Cassidy**

Head Office: **Stephanie Shortt, Jordan Crowe, Amanda Scott, Jessica Johnson, Tara Bailey, Katie Whitefield, Jaime-Lynn Miller, Michael McGinn**

Leadership: **Carol Schutzman, Jackie Harnock, Michelle Finley, Stefanie Dimarco**

Branch Awards

Kawartha's Branch Awards recognize the branches who have achieved the highest growth. The **Bayridge branch** (Kingston) received both highest overall Growth (%) and Growth (\$) Awards.



Glen Davies Award

As Kawartha's most prestigious distinction, the Glen Davies Award recognizes employees who demonstrate dedication and commitment to the credit union while upholding its purpose and values. Glen Davies was a 43-year volunteer Board and Committee member at Kawartha, and he was highly respected for embodying these attributes. Our very deserving 2024 award recipient was **Allison Durward, Contact Centre Supervisor**.



Community Commitment Award

Established in 2008, the Community Commitment Award recognizes the branch or department who has best represented Kawartha in their community, demonstrated team spirit, shown strong support for their community above and beyond our corporate Community Involvement Program, and upheld Kawartha's purpose and values through their participation in community initiatives. The winners of our 2024 award were our **Huntsville branch and Information Systems & Corporate Services Departments.**

Extra Mile Award

The Extra Mile Award focuses on Kawartha's value of service excellence. Employees who provide quick, accurate and friendly service help us succeed. They go beyond the normal expectations of their job, making those they serve feel the difference between mediocre and magnificent service. The recipients of this award in 2024 were:

Jennifer Alexander, Compliance Associate (top left)

Shaughnessy McLellan, Senior Financial Analyst (top right)

Hussain Yousafzai, Financial Planner (bottom left)

Tina Almeida, Financial Services Representative (bottom right)



Manager of the Year Award

Our Manager of the Year Award recognizes leaders who inspire others to do their best, lead by example, earn trust and respect from others, and have a desire to see their employees and Kawartha succeed. Our 2024 Managers of the Year were:

- **Brent Petticrew**, Branch Manager, Trenton
- **Christena Saunders**, Senior Manager, Support Services



Information Systems

We implemented a number of initiatives in 2024 to offer our members fast, secure, and convenient online and mobile banking services. Using our core enterprise and ancillary systems, we further enhanced our products and services with a focus on process automation to support positive banking experiences for our personal and business members and more fulfilling work experiences for our employees.



Some of the initiatives we worked on in 2024 include:

- Ongoing work on IT/Cyber Security protection, safeguarding our systems and data security against ever-evolving challenges.
- Mandatory cyber and security testing for our employees to ensure that they are adhering to best practices
- A robust review of our IT/Data Governance Framework, ensuring that all data is well-managed and in the control of the credit union.
- A full update of our policies and procedures.

In the year, we implemented new online and mobile banking services and security tools to continue to provide protection for our members' information and data. This included real-time transaction alerts, and a variety of self-serve tools.

We maintained our focus on improving member-centric processes and support activities for account management and retail lending. As part of this exercise, we identified and evaluated the top process irritants and centralized administrative functions where possible. We implemented ClickSWITCH, which provides an easier way for new and existing members to move their direct deposits and withdrawals to Kawartha. This tool is valuable in attracting new members who wish to move their business to Kawartha. Members can enroll through online banking (web), or by working with a Kawartha staff member.

Future developments for Information Systems include the implementation of the online account opening process (AOS) for new and existing members. This functionality lets new members create their Kawartha membership and open new accounts from our website and enables existing members to create new accounts through our online banking application. The launch of the AOS applications is anticipated for early 2025.

Environment, Social Responsibility, Governance (ESG)

Kawartha Credit Union is a member-owned financial institution built on co-operative principles. We provide needs-based advice, products and services that are in our members' best interest. Our ESG commitment is aligned to our corporate purpose of supporting the financial success and well-being of our members and the communities we serve. We recognize our obligations to members, employees, and communities, and we embrace diversity, equity, inclusion and belonging. ESG practices are embedded in our organization's decision-making processes, strategy, governance, and day-to-day operations across all business lines, products and services.

Environment

We are committed to environmental consciousness in our operations, taking steps to reduce our environmental impact and manage our overall footprint. Some of the initiatives we have undertaken are as follows:

- Kawartha is one of only three credit unions in Ontario covering 100% of their consumption with 100% renewable energy from Bullfrog Power for all facilities.
- Three Trees member referral program helps restore essential forest cover.
- Sensor-based LED lighting and temperature control in all facilities.
- Centralized printing stations for paper reduction.
- Waterless suppression system in the computer room at Head Office.
- Support for numerous environmental initiatives through our Community Involvement Program.



Social Responsibility

To support our purpose, we strive to be accessible through our online, mobile, branch and Contact Centre service channels.

Banking

We decline to offer services or credit to businesses whose practices are:

- associated with illegal activities, including money laundering and terrorist financing
- sexually exploitive
- inconsistent with generally accepted community standards of conduct
- pose an unacceptable financial risk
- environmentally non-compliant
- not aligned with known best practices.

Investing

Attention is paid to the nature of investments held by the credit union. Members may choose socially responsible investments through our leading mutual fund providers: NEI, Mackenzie sustainable investing funds, Franklin Templeton, CI Financial, AGF Financial, and Fidelity. At December 31, 2024, socially responsible investments comprised 10.5% of Kawartha's high-quality liquid assets and 9.1% of members' mutual funds.

Support for Small Businesses

Kawartha supports small businesses, registered charities, and community organizations within our branch geography. We offer products designed to meet their specific requirements, including interest-bearing chequing accounts with discounted fees.

Housing affordability

Since 2019, Kawartha has partnered with Habitat for Humanity and the Canada Mortgage and Housing Corporation to provide affordable housing for those with low-income. Our Community Involvement Program provides financial support to Habitat for Humanity in several of our branch communities, and many of our employees volunteer at Habitat builds.



Cobourg branch volunteering with Habitat for Humanity

Financial Literacy Initiatives

We offer resources, presentations and workshops to improve financial literacy on topics such as budgeting, credit, and overall financial wellness. We speak to college and university students, social support groups, and young students via the Junior Achievement classroom curriculum.

Social Responsibility

Discounted Services for Youth and Seniors

Kawartha offers free banking to members under the age of 26. Seniors receive lower fees through our service package options.

Member Engagement

We hear feedback from our members through experience surveys related to transactions that have been conducted with Kawartha. Survey results are used to improve the products, services and experiences we offer.

Community Involvement Program

This program annually donates 2-3% of pre-tax income (\$180,000 in 2024) to charitable organizations and social causes in the areas of health, education, youth, and the environment. Board-approved funds are distributed equitably among our branch communities to enhance economic, social, and environmental well-being.

In 2024, Kawartha donated \$8,500 to environmental causes, and \$50,000 in bursaries for Business Administration and finance students of colleges and universities in our branch regions. We donated another \$121,500 across a number of other worthy causes. In addition, our employees participated in over 80 volunteer and fundraising initiatives.



First recipient of the Kawartha Credit Union Financial Science Scholarship at Trent University

Benefits and Wellness Programs

Employee wellness contributes to the positive way we serve our members and engage in our communities. Kawartha offers medical, dental, life, and disability benefits, counselling through our Employee Assistance Program, pension options, and a variety of other benefits. Our Wellness Program offers our employees resources, tools and programs to enhance their well-being.

Workplace Health and Safety

The health and safety of our employees is paramount. Kawartha invests significant resources to ensuring that we are fully compliant with current health and safety laws and regulations. Compliance is led by our Health and Safety Committee and Health & Safety Representatives in each of our locations. Questions and concerns brought forward by our employees are reviewed regularly by the Committee.

Social Responsibility

Employee Engagement

Kawartha aims to have employees who support Kawartha's success and consider it a great place to work. Engaged employees want to stay at Kawartha, say positive things to others, and strive to do their very best every day. Engaged employees create a healthy culture and environment where people can thrive inside and outside of the workplace. To measure the engagement of our employees, we participate in an Employee Engagement Survey every two years.

Diversity, Equity, Inclusion and Belonging (DEI&B)

Kawartha offers a diverse and fair workplace where employees feel that they belong. Job postings and marketing reflect our focus on gender and cultural diversity to attract younger employees and members. We provide tools and resources to help employees learn and have awareness of a variety of social and cultural themes.

In 2024, we participated in Black Lives Matter, National Indigenous Peoples Day, Pride Month, International Women's Day, Pink Shirt Day, and many others. Kawartha observes the National Day for Truth and Reconciliation, or Orange Shirt Day, and on September 30, we close all Kawartha locations and participate in self-learning activities where employees gain knowledge about Indigenous culture and reflect on their role in reconciliation.



Bracebridge branch participating in Pink Shirt Day

Government Relations and Advocacy

Kawartha participates in government relations and credit union system advocacy work. Collaboration with our credit union colleagues affords Kawartha opportunities to impact change and influence decision-makers on regulations, banking services, and issues impacting the financial services sector.

Governance

Kawartha Credit Union's By-laws, Board policies and Management procedures establish the key governance attributes and standards for managing, monitoring, and reporting business risks to our Board and Management.

Kawartha's governance structure assists in meeting governance expectations of the Board of Directors while ensuring compliance to the Credit Union and Caisses Populaires Act 2020, our By-laws, other Federal and Provincial laws and regulations, and the requirements of our regulator - the Financial Services Regulatory Authority of Ontario (FSRA).

Kawartha is committed to high standards of governance that meet or exceed regulatory expectations and are aligned with our strategy and risk appetite. The structure includes an independent Board which actively engages with Management on core business strategy, key existing and emerging risks, as well as setting policies, frameworks, standards, and procedures.

The Board guides us in delivering on our purpose to support the financial success and well-being of our members and the communities we serve, in addition to laying a foundation for a solid risk management approach to ensure the stability and sustainability of our Credit Union.

Kawartha's Market Conduct Code standardizes business conduct and we annually attest to the Board that we are meeting the requirements set. In adopting the code, we pledge to adhere to best practice principles for marketing, selling, and distributing our products and services, ensuring that, at every level of our business, we do what's right for our members and communities.

Board Diversity

- 4 of 9 Directors are women
- 3 Board members have a Governance Accreditation
- 8 of 9 Directors have a university degree, 4 with a business focus
- 8 of 9 Directors have completed their CUDA accreditation
- 4 of 9 Directors have their Chartered Professional Accountant designation
- 2 of 9 Directors have a Masters level of education

Financial Overview

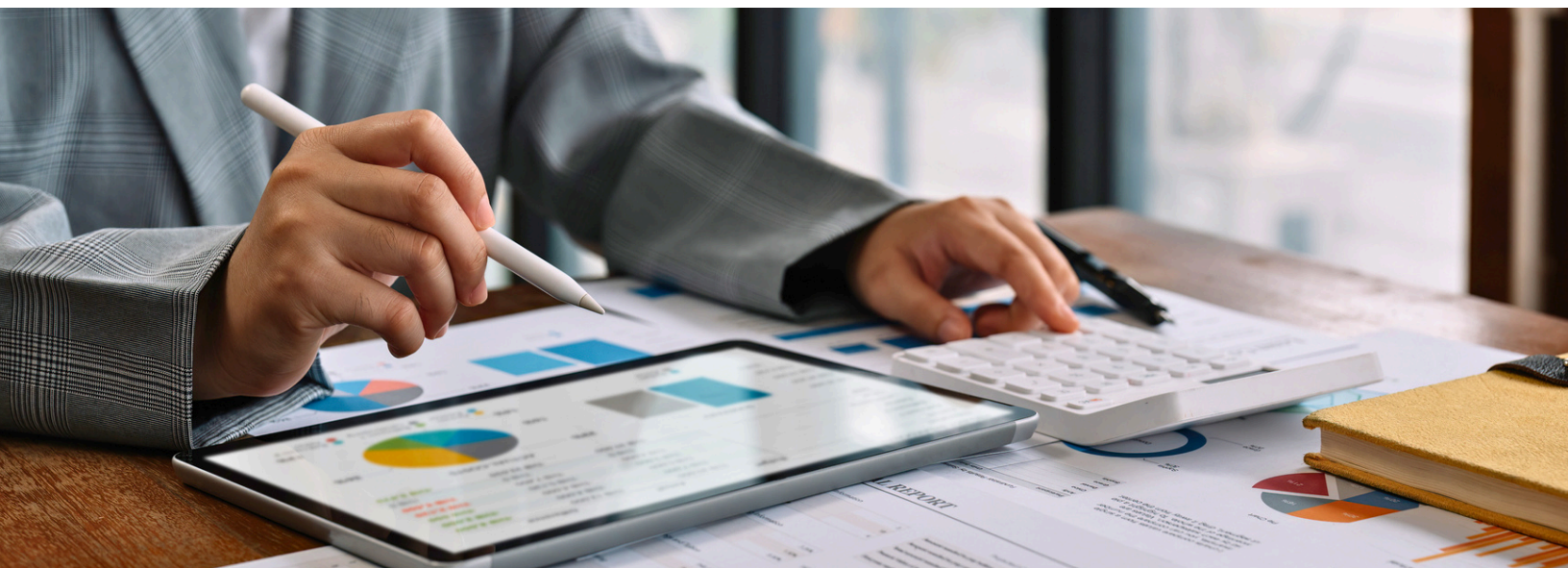
We continued to make good progress with our member, employee and information systems initiatives advancing our capabilities. 2024 comprehensive income of \$3.2 million is slightly better than the \$3.1 million earned in 2023. Our financial results in 2024 were impacted by margin compression and we have actively and prudently managed expenses while continuing to invest in the business.

Revenue increased modestly in 2024 with higher other income offsetting a small decline in financial margin. For the year, interest expense on members' deposits outpaced interest income growth on members' loans. In the fourth quarter of 2024, we saw this trend reverse with financial margin improving compared to the fourth quarter of 2023. Loan loss expense remained at relatively low levels. Expenses increased modestly in 2024 as we continued to invest in employees while reducing controllable expenses.

Commercial lending and term deposit growth were strong while residential mortgage balances and demand deposits increased at a slower pace.

We continue to share profits with our members. The Board declared 2024 dividends on both Class A Investment Shares and Class B Affinity Shares to be paid in the first quarter of 2025.

Capital and liquidity measures remained above both Board and regulatory requirements.



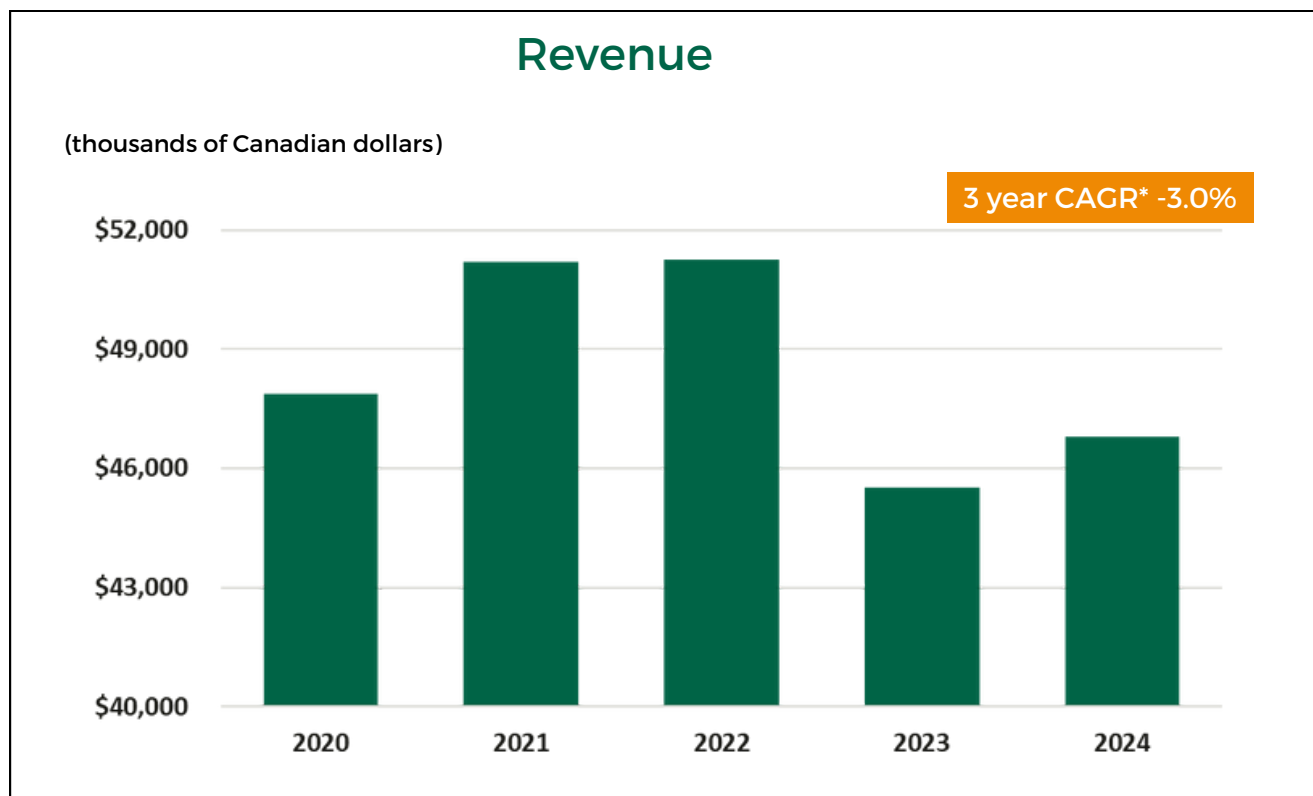
Financial Performance Summary

Revenue

Revenue of \$46.8 million increased 2.8% or \$1.3 million compared to the prior year consisting of other income up 20.2% or \$2.1 million reduced by a 2.3% or \$0.8 million decline in financial margin.

The financial margin was impacted by higher member interest expense primarily due to term deposit yields increasing by 27bps from the beginning of 2024 up to August before reducing by 23bps from September to the end December. Our term deposit book duration is relatively short at approximately one year. With the Bank of Canada interest rates increasing 400bps in 2022 and 75bps in 2023, members term deposit interest expense and yields increased significantly until the end of August 2024.

The term deposit interest expense also reflected our 2024 participation in commercial broker deposits. Member demand deposit interest expense was higher, primarily due to our promotional HighER Interest Savings Account (HISA) product. Cumulatively, the impact was a \$12.7 million increase comparing annual 2024 to 2023 financial expense.



*Compound Annual Growth Rate (CAGR)

Revenue

The financial revenue increased \$11.9 million or at a slower pace than the financial expense. Retail and Commercial loan interest revenues increased driven by balance growth and some higher yields. Investment income also increased on higher yields. The retail revenue growth was slowed by members who, in the pandemic years of 2020 and 2021, locked into low 5-year fixed rate residential mortgages.

With the Bank of Canada interest rates decreasing 175bps in 2024, member term deposit interest expense started to reduce in September 2024. Combined with increases in member loan balances our interest margin improved, increasing by 9.3% comparing the fourth quarter of 2024 to the fourth quarter of 2023. The margin increase is expected to position us well for higher 2025 revenue and operating income.

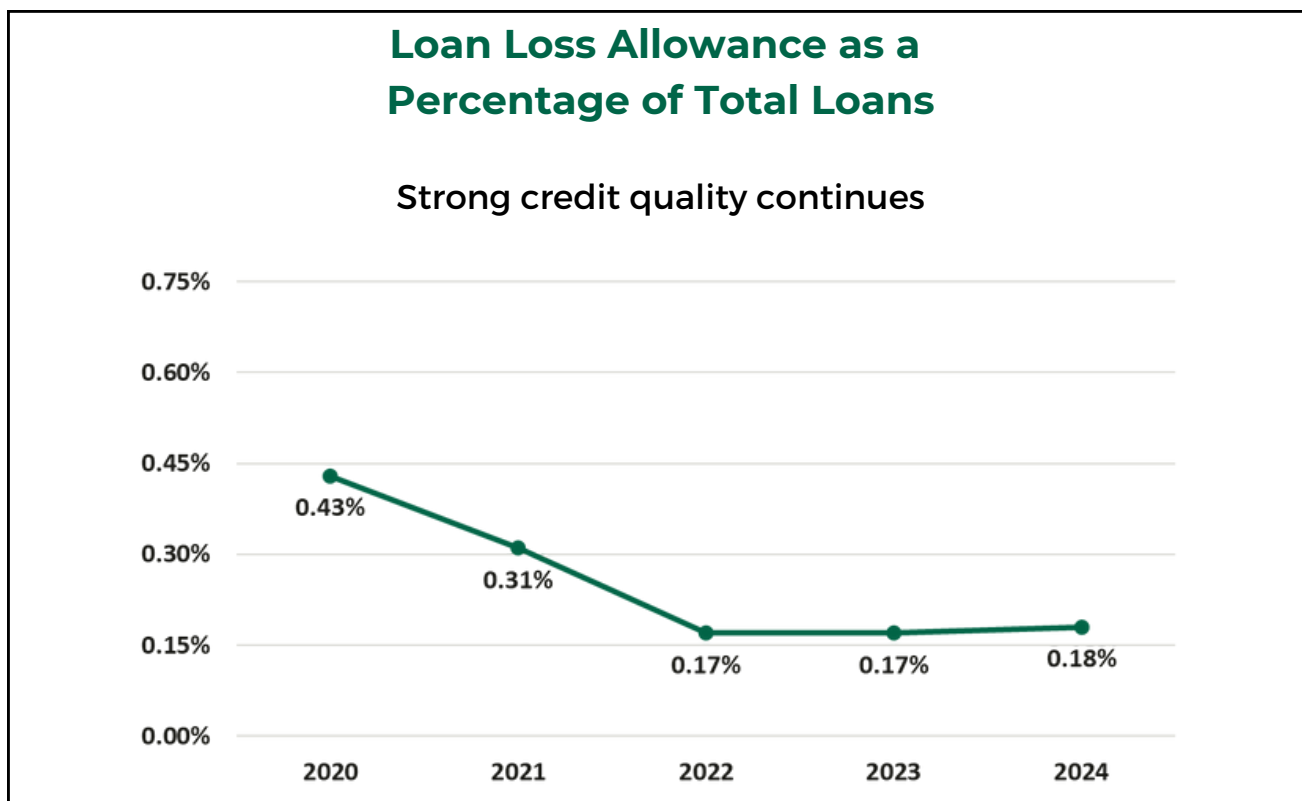
The other income increases in 2024 reflected a combination of higher service fee revenues including a full year benefit of retail pricing changes put in place October 2023. Our retail pricing approach is to be in line with or slightly lower than the big banks. Higher Commercial fees as loan balances grow, an increase in mutual funds driven by Wealth Management balance growth, and better insurance revenues also contributed to the higher service fee revenues.



Loan Loss Allowance and Expense (Recovery)

The allowance for credit losses was maintained at a level to enable absorption of credit related losses on our loans. Kawartha uses a model to calculate a loan loss allowance for each performing loan, factoring in individual assumptions based on credit metrics, the probability of default and loss, as well as qualitative, forward-looking economic factors. Sensitivity of the performing loan loss allowance is also conducted as part of Management's reasonability analysis. An allowance is set aside for loans individually identified as credit impaired.

In 2024, we had a loan loss expense of \$1,118K compared to \$700K in 2023. Provisions for higher consumer loan bankruptcies, consumer proposals and delinquencies reflected a more difficult economic environment. Contributing factors in 2024 included the effects of a higher Bank of Canada interest rate from July 2023 to June 2024, rising consumer debt loads and Ontario unemployment increasing from 6.3% at January 2024 to 7.5% at year end. The number and dollar amount of consumer loan write offs is similar to 2023 and continues to be lower than the pre-pandemic 2019 levels. A large proportion of both our consumer and commercial member loans are real estate secured and we use a variety of risk management metrics to monitor the credit quality of our loans. The credit quality of our consumer and commercial loan portfolios remains strong.

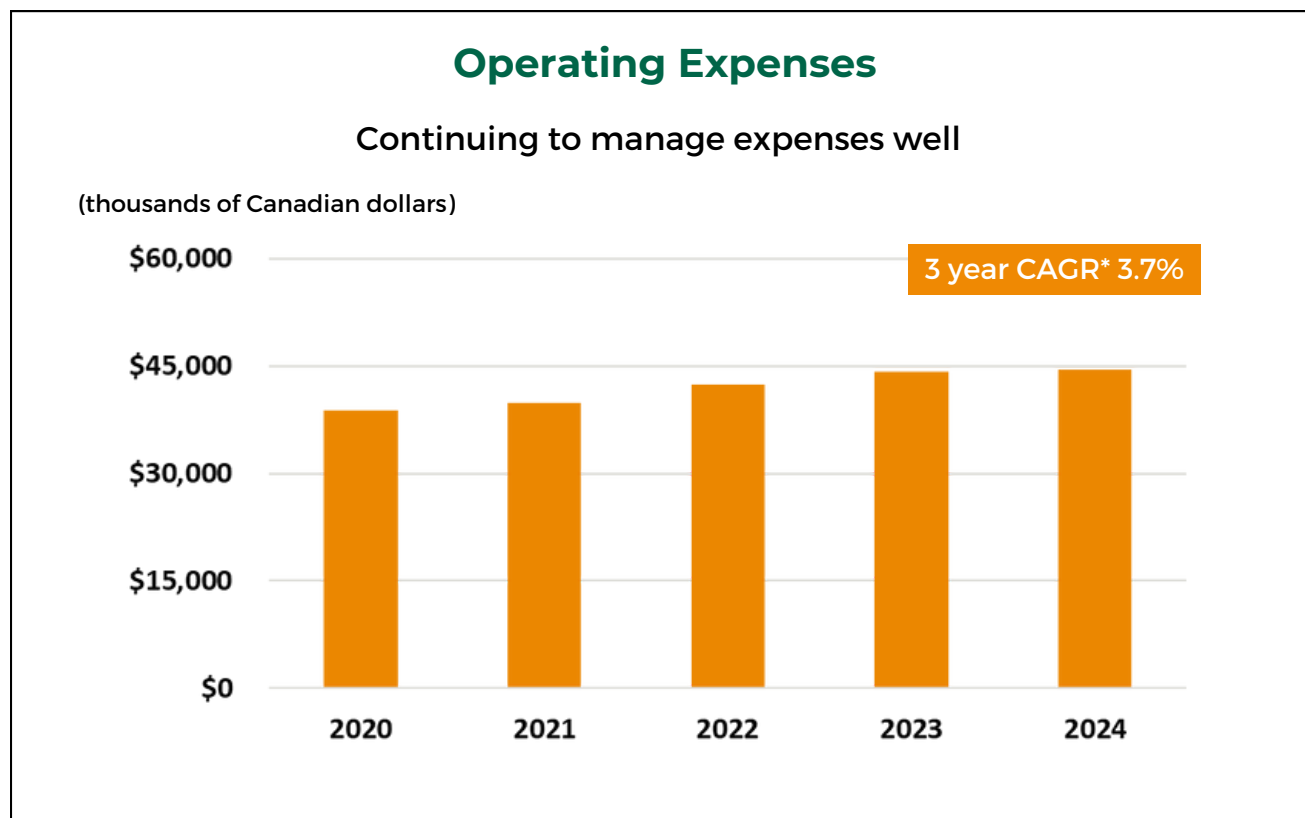


Operating Expenses

Expenses increased \$335K or 0.8% year over year due to higher employee salaries and benefits. We ensure our compensation is competitive, which enables the retention of key employees. Our higher employee expense also reflects our ongoing commitment to be a Living Wage Employer.

Other expense declines included lower professional fees and equipment costs as we actively managed discretionary costs. We also implemented efficiencies, reducing expenses without impacting the effectiveness of our education and staff development as well as our promotion activities.

We continued to make investments in technology to improve the member experience while effectively managing our information systems costs. We improved online and mobile banking services, wealth management software, put in place a commercial lending system and implemented enhanced member protections including dual authentication of online transactions and other cyber security tools.

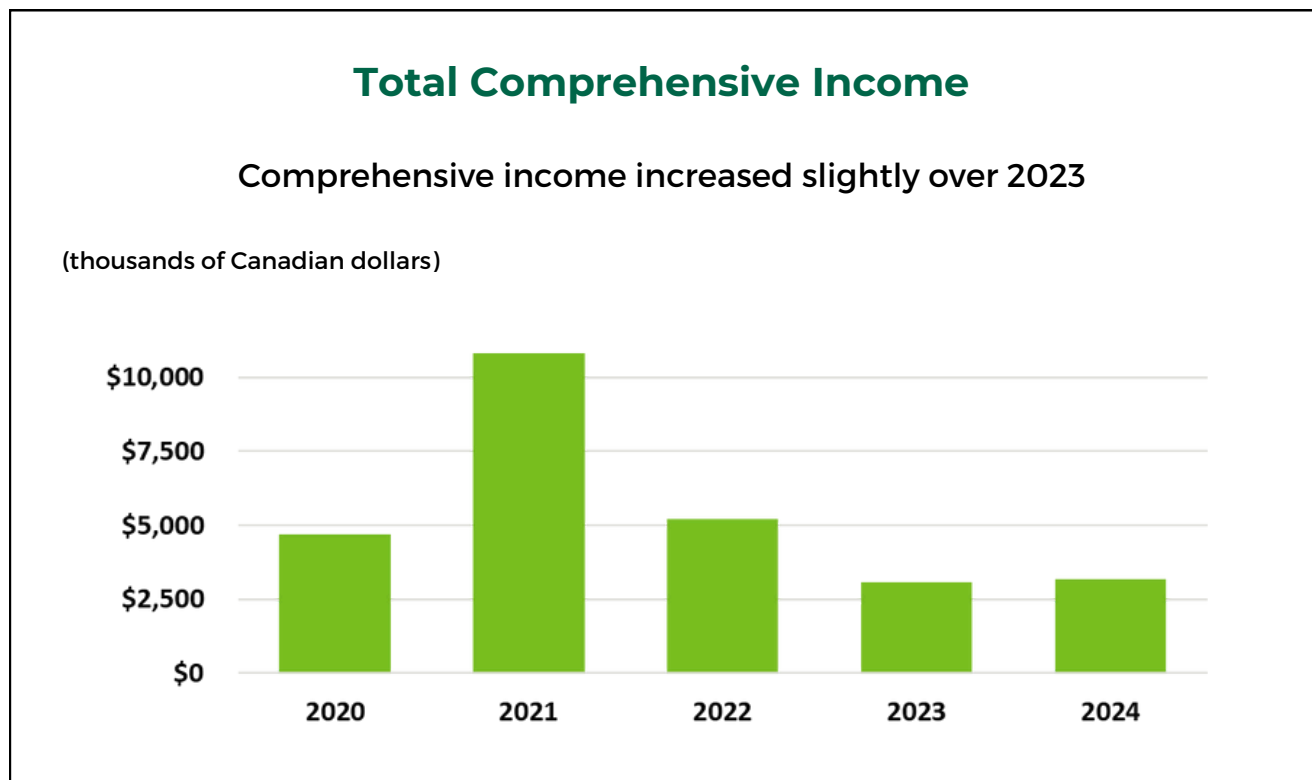


*Compound Annual Growth Rate (CAGR)

Operating and Comprehensive Income

Operating income of \$1,229K and comprehensive income of \$3,183K both increased slightly from 2023 as the higher other income was mostly offset by the combination of a decrease in financial margin and the increase in expenses including loan losses.

Comprehensive income is higher than operating income for the year, reflecting the benefits from an income tax recovery and a fair value gain of \$1,566K on our high-quality liquid asset portfolio. The comprehensive income in 2023 included a similar income tax recovery amount and a higher fair value gain.



Sharing Our Profits

A share of our annual profits is returned to members through dividends on Class A Investment Shares and Class B Affinity Shares. The payout of dividends generally ranges between 30-40% of operating income and considers a number of factors including yields on similar market securities, our current and projected profitability, our capital, and our liquidity levels. Paying a fair market yield on our Class A Investment Shares rewards members who have entrusted and supported our Credit Union. For 2024, the Board declared a cash dividend of 5.00% for Class A Investment Shares and a share dividend of approximately 3.00% for Class B Affinity Shares.

Financial Position

Total assets of \$2.3 billion increased \$112.4 million or 5.1% year over year driven by member loan growth. Funding to support our loan growth came from member deposits. We continued to invest in the business albeit at a slower pace than prior years as we managed our costs.

Member Loans

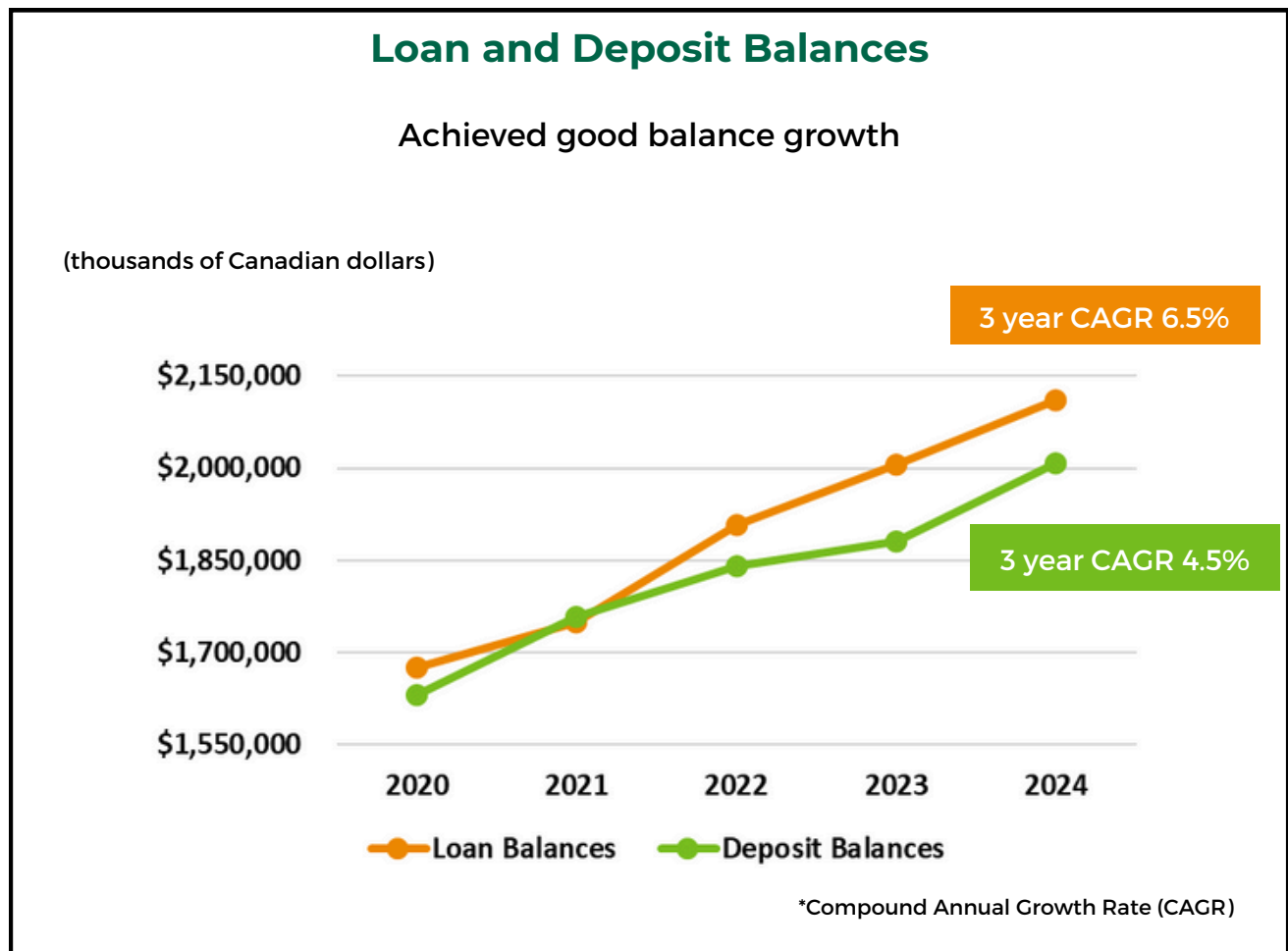
Member loans are comprised of consumer and commercial lending. Consumer loans increased \$36 million or 2.3%. Growth was impacted by a weaker market with higher Ontario unemployment, a 16% decline in housing starts and a modest 3.1% increase in housing sales. Residential mortgages represent 95% of our \$1.6 billion consumer loan portfolio with over 17% insured, good loan-to-value, low debt service ratios, and only 0.1% of our members are paying interest only. Our concentration risk is also low as member mortgages are spread out among our geographical footprint and only 2.0% have a mortgage balance greater than \$1 million.

Commercial loans of \$484 million grew 16.2% or \$67 million in the year, continuing our momentum after 10.4% growth in 2023. Most of the loans are real estate secured lending within our branch geographical footprint, and 71% of the portfolio is concentrated in the real estate, accommodation, or construction sectors where we have expertise.

Member Deposits

Member deposits of \$2.0 billion increased \$127 million or 6.7%. Term deposits increased \$124 million or 9.7% while demand deposits increased \$3 million or 0.4% from the prior year. In 2024, we introduced a competitive HighER HISA retail product with a limited time promotional interest rate, allowing us to attract new funds and broaden our product suite.

The HighER HISA peaked at \$67 million in balances mid-year (\$60 million new to Kawartha) and maintained \$25 million in balances at year end. We also diversified our funding sources by entering into the commercial broker deposit market in 2024, raising \$54 million by the end of the year at a lower cost than our borrowing facility and with modest back-office support required.

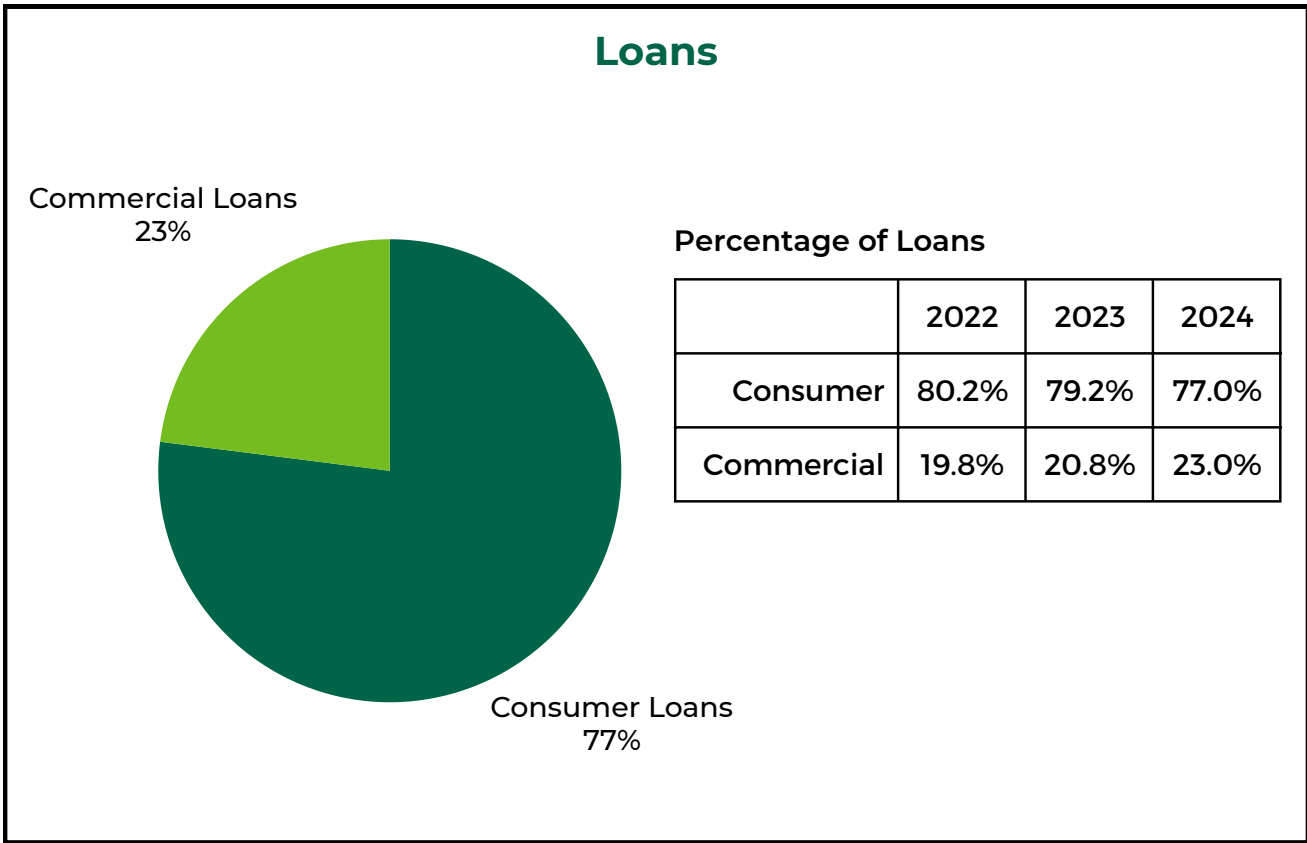


Strategically Growing Commercial Lending

One of our strategic objectives is to grow our commercial loans at a faster pace than consumer loans, leveraging our expertise in certain sectors while remaining attentive to the additional capital requirements commercial loans require.

In 2021, we had 81.3% of our loans in consumer, primarily low yielding residential mortgages, and 18.7% in commercial resulting in a lower revenue mix and more exposure to the residential mortgage market.

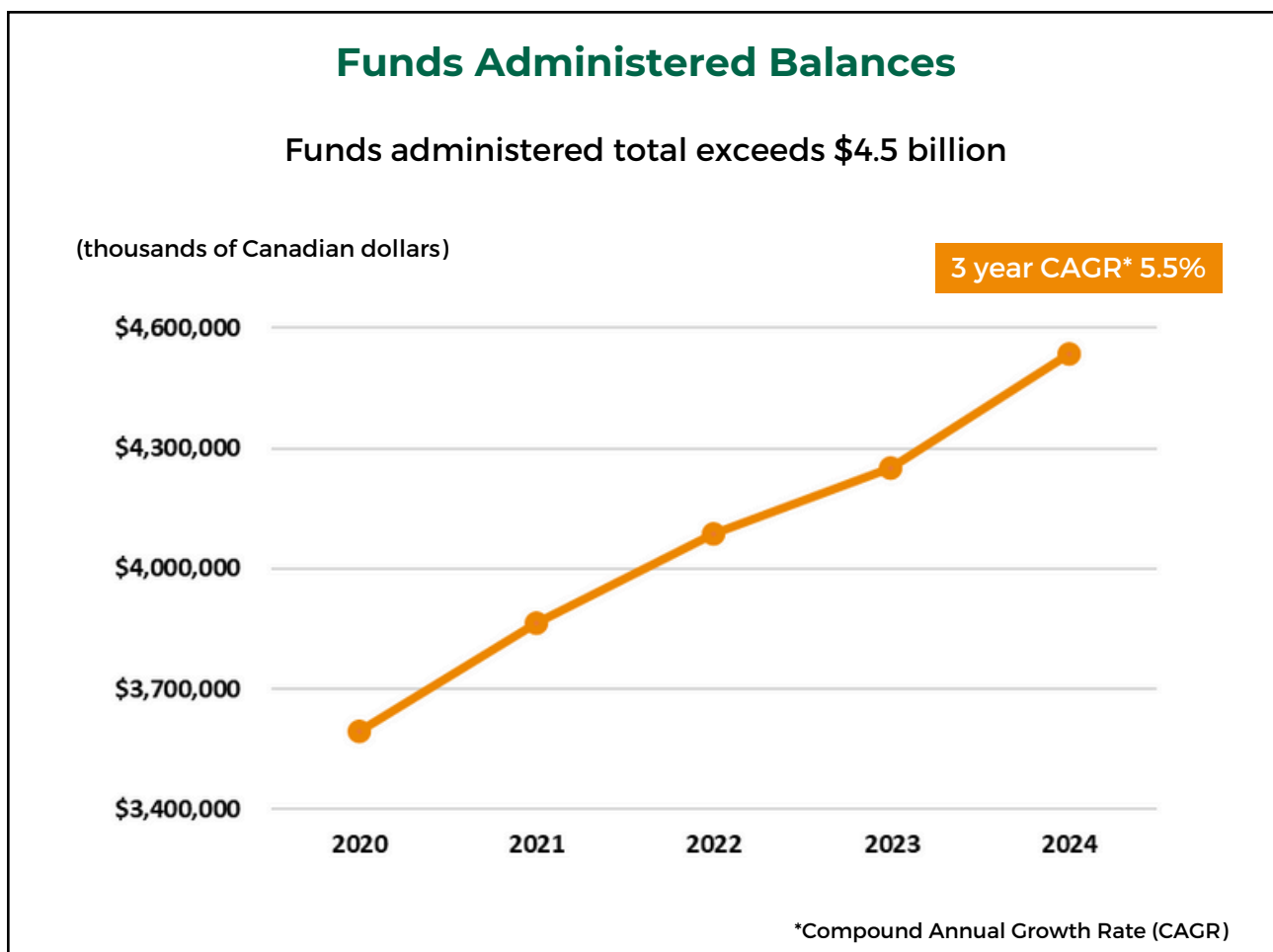
After average annual loan growth for the past three years of 14.0% for commercial and 4.6% for consumer, our commercial loans now represent 23.0% of our total loans – a significant improvement. Our optimal mix is for approximately 30% of our loans to be commercial.



More Members Doing More Business

Funds administered balances consist of member loans, deposits, wealth management assets and our off book commercial loans that we are servicing where the government assumes the credit risk.

Our funds administered balances grew 6.6% in 2024, a higher pace than 2023 and above our 3-year CAGR of 5.5%. Strong wealth management and commercial loan growth along with higher 2024 deposit growth drove the increase. Our member funds administered balances are now over \$4.5 billion.



Capital Liquidity Management

Kawartha's capital management objectives are to hold sufficient capital to ensure long-term viability, protect against unexpected losses in a stressed scenario, and exceed Board minimum limits (regulatory requirements are lower than minimum Board limits). As shown in the table below, year-end 2024 capital ratios are well above the required thresholds.

2023	Capital Ratios	2024	Board Limit
12.9%	Tier 1 Capital Ratio	11.9%	7.5%
13.6%	Total Capital Ratio	12.5%	11.5%
6.6%	Leverage Ratio	6.2%	3.0%

The Tier 1 and Total Capital ratios declined with approximately $\frac{3}{4}$ attributable to risk weighted assets growth (primarily our commercial loans increasing which requires higher capital), and the other $\frac{1}{4}$ attributable to a reduction in our Class A & B Shares. In the year, we completed our initiative to redeem Class B Affinity Shares for members who previously purchased these as an investment. The initiative's objective was to reset the Class B Share portfolio to consist of members that would have received (not purchased) shares from Kawartha. As part of redeeming Affinity Shares, we offered these members the opportunity to purchase Class A Investment Shares that were available. These changes supported for both the 2023 and 2024 fiscal years, Kawartha paying Affinity Shareholders a share dividend instead of a cash dividend which maintained our capital base. A cash dividend reduces total capital levels, while a share dividend reallocates within capital to shares from retained earnings. In 2024, we also made our Class B Share program more efficient for employees and a better experience for departing members by redeeming shares upon the closure of membership.

The mix of regulatory capital consists of shares (Class A Investment Shares, Class B Affinity Shares, and membership shares) as well as retained earnings (retained earnings, contributed surplus, accumulated other comprehensive income, and the expected credit loss performing loan allowance net of a regulatory deduction for capitalized software above a certain threshold). Retained earnings are considered the highest quality of Credit Union capital; unlike shares, it is not owed to a specific member. The Credit Union Capital Management Board policy requires us to hold no more than 60% of our regulatory capital in shares. At the end of 2024, our capital consisted of 50.2% in retained earnings and 49.8% in shares, well below the 60% share maximum.

Internal Capital Adequacy Assessment Process (ICAAP)

As part of the annual Internal Capital Adequacy Assessment Process (ICAAP), Kawartha assesses whether we are holding sufficient capital under significant stress events. The ICAAP aligns with Kawartha's Enterprise Risk Management (ERM) program and the strategic planning process. The ICAAP is based on Kawartha's three-year financial plan and outlook and is stressed for a severe economic downturn in addition to a number of other potential risks (including credit and interest rate risk), factoring in Kawartha's risk profile. The annual capital plan also takes ICAAP into consideration when determining a viable strategy to maintain capital levels above minimum limits.

Liquidity Management

Managing liquidity risk is integral to maintaining Kawartha's strength, ensuring that funds are available for members even in times of significant stress. We test our liquidity using the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR), and the net cumulative cashflow (NCCF), which are complementary measures, on both a regulatory basis and using assumptions for higher liquidity stress. The LCR measures the ongoing ability to meet obligations in a time of short-term liquidity stress. The NSFR determines if there is enough stable funding to cover the duration of long-term assets, while the NCCF measures in months the amount of time the credit union could have to meet obligations under stress.

On a monthly basis, or more frequently if required, we ensure large dollar member deposits are below a certain threshold to minimize the risk of a liquidity shortfall if those deposits left the credit union.

Kawartha also maintains a High-Quality Liquid Asset (HQLA) portfolio equal to a percentage of the credit union's total assets. The HQLA are either cash or assets that are unencumbered and can be converted into cash quickly through sales with no significant loss in value. The HQLA portfolio is held with a third party and managed within stringent Board policy requirements.

Kawartha maintains a borrowing facility with Central 1 Credit Union. We draw upon this facility as required to finance operations. Our core facilities provide a borrowing capacity of just over \$73 million. At year end, there was no borrowings against our facilities. Overall, Kawartha's liquidity remains strong and well above both Board and regulatory minimum levels.

Securitization

Kawartha securitizes a portion of our residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored program as an alternative source of longer term cost-effective funding. We also hold \$13.3 million in two pools of securitized CMHC insured mortgages within our HQLA liquidity portfolio.

At year end, our securitized mortgage payable was \$137.3 million, down \$2.4 million reflecting run off net of new 2024 pools.

To minimize securitization risk, we monitor our securitization amounts and maturities against specific limits in the Securitization Board policy. Our securitization program continues to be at the lowest risk level based on regulatory thresholds.



Enterprise Risk Management

Kawartha employs a comprehensive and integrated Enterprise Risk Management (ERM) program which enables the effective management of risks within our tolerances that are inherent in our business activities. ERM ensures that effective risk management practices are an integral part of business decisions. Our ERM framework applies oversight to all core business processes and functions as a systemic approach to identifying, analyzing, mitigating, and reporting risks.

On a quarterly basis, Management report to the Board on the top risks facing the Credit Union. This report includes an estimated impact of the risk net of mitigations put in place. The residual risks are compared to our risk tolerances to ensure we stay within a certain range. If necessary, Management action plans are put in place when risk tolerances or limits are exceeded. Monitoring and reporting of various measures or business activities to ensure compliance with policies, procedures, laws and regulations are also provided to the Board and/or Audit and Risk Committee quarterly or annually.

Risk is managed through our three lines of defense, with oversight functions supporting the front line and our Internal Audit department providing an independent assessment to ensure our controls are effective.

In 2024, we improved our Enterprise Risk Management process in order to increase its utility as a proactive management tool, allowing us to more quickly respond to potential risks. We continued to enhance Kawartha's Business Recovery Plan, which serves as a playbook outlining how Management would implement corrective actions in severe but plausible stressed scenarios. The recovery plan is aligned and supported by our ERM framework, including business continuity planning, capital planning, liquidity contingency funding plans, stress testing and asset liability management practices.

We have fifteen Board policies that set limits and Management reporting requirements. These policies support legal and regulatory compliance in addition to ensuring appropriate Board governance and oversight on potential risks.

During 2024, Management was in compliance with all Board limits and legal and regulatory requirements.

Material Risks That May Affect Future Results

Material risks that may affect our business operations and future financial results are described below. Management discusses these material risks on a regular basis, assessing the risk impacts, how quickly the risk may present itself, our risk tolerance and potential mitigations.

Economic Conditions

Our financial earnings are affected by the economic conditions in the Ontario geography where our business operates. Inflation, unemployment, interest rates, and housing prices are some key economic indicators that impact our business growth and affect our financial results. The recent 2025 tariff threats by the U.S. on Canada have the potential to impact market stability and economic growth. These changes in economic conditions can affect consumer spending, housing prices, and business investment, including the demand for our lending and deposit products, net interest income, fee revenue, operating expenses, credit losses, and asset values. While the tariffs may have a less direct impact based on where we do business, there is the possibility of a significant impact on our members from equity market declines and a downturn in the economy. Management is attentive to the economic environment in which we operate and prepared to adapt to changes in order to maintain our financial strength.

Credit Risk

Credit risk for Kawartha is primarily the risk that a member does not pay back their loan at the agreed upon terms. Economic disruption resulting from the potential U.S. tariffs could result in credit losses in excess of historical norms. Our exposure is managed through a comprehensive set of lending parameters and risk limits set out in our Credit Risk Management Board policy and Management standards.

Interest Rate Risk

Interest rate risk is the exposure of Kawartha's current or future earnings associated with changing rates on interest bearing loans, deposits, and investments. Heightened economic volatility resulting from potential U.S. tariffs may result in the Bank of Canada reducing interest rates to bolster the Canadian economy, while second- and third-order impacts from a protracted trade dispute could result in inflation, complicating the Bank of Canada's mandate. Our interest rate risk is managed through our Structural Risk Management and Market Risk Board policies as well as our asset liability management practices.

Climate Risk

Climate-related financial risks have the potential to affect the safety and soundness of financial institutions through physical and transition risks. Physical risks include wind or ice storms, floods or earthquakes as examples and the potential impact of those on members, Kawartha premises and operations as well as the economy. 2024 was the costliest year in Canadian history for insurance claims resulting from severe weather phenomena, with significant damages in Ontario from flooding in the Greater Toronto Area. Transition risks are those related to the process of moving away from reliance on fossil fuels and towards a low-carbon economy. Transition risks cover the potential impact of these changes on Kawartha products and services, evolving stakeholder expectations and associated legal or regulatory changes. While Management has effectively managed Kawartha physical risks through our business continuity planning, we will be working on ways to support members with physical climate risks and to mitigate our transitional risks in future years.

Cyber Security

Kawartha's exposure to banking cyber security risks which occur through members, employees, or third-party suppliers, is a top risk. Our cyber security program continues to evolve and extend proactive defense systems to mitigate potential threats.

Third-Party Supplier

Kawartha is reliant on a number of third-party suppliers, which presents the potential for business disruption exposure and cyber security threats. We have identified key third-party suppliers and, where applicable, we monitor vendor service level agreements to minimize the business disruption impact. We also obtain from some key service suppliers reports that confirm the effectiveness of their internal controls.

Employee Attraction and Retention

Competition for talent can make recruitment and retention challenging. Given the size of our employee base, the attrition of key personnel poses an inherent business risk. To mitigate, succession plans for key roles are in place and significant time and resources are dedicated to ensuring our employee engagement levels remain high.

Membership Demographics

A disproportionate share of our member base skews to an older demographic, which, while potentially helping to mitigate some of the possible impacts caused by U.S. tariffs and heightened unemployment, may lead to business retention and business growth challenges. Attracting and retaining members from younger demographics continues to be a strategic priority.

2025 Economic Outlook

Ontario's economy is expected to have low real gross domestic product (GDP) growth in 2025, though improved from 2024.

The significant uncertainty of the nature of U.S. tariffs and potential exemptions makes it difficult to gauge how Ontario's GDP will be impacted. The Bank of Canada is expected to continue with interest rate cuts, with economists forecasting 2-3 further rate cuts this year (from 2.75% currently to 2.00%-2.25%). U.S. tariffs will likely result in higher unemployment, lower housing starts, and lower personal income growth, all of which will contribute to low real Ontario GDP growth. Business growth is also expected to be affected by the tariffs and weaker economic environment.

Inflation is forecasted to continue to decline, but this trend may begin to reverse in the latter half of the year once tariffs are fully in force.



Report from the Governance Committee

The Governance Committee is comprised of four Board Directors and is responsible for assisting the Board in providing appropriate governance for Kawartha Credit Union. It fulfills this responsibility by making recommendations to create, promote, monitor, and enhance policies and programs for:

- Corporate governance.
- Board and committee composition.
- Director education, knowledge, skills, and abilities.

The Governance Committee met four times in 2024. Key activities included:

- Provided oversight for the Board, Committee, and Director self-assessment process. Analyzed results and recommended direction to the Nominating Committee on skill gaps to be prioritized for 2025 Director recruitment.
- Provided oversight for the new Director Orientation program and new committee member orientation. Kawartha had 2 new Directors join the Board in 2024.
- Monitored legislation and regulatory developments impacting Kawartha's operating procedures, policies, or By-laws. In addition, the Board supported FSRA's supervisory assessment of Kawartha which was completed in 2024.
- Monitored Directors' compliance with the mandatory education program and ensured Directors received annual training on residential mortgage securitization, anti-money laundering, privacy legislation and information security/cyber security.
- Reviewed and made recommendations to the Board regarding Director remuneration, term limits, Board diversity, and training priorities.
- Completed the annual review of the Corporate Governance Policy and Market Conduct Code Policy and recommended updates to the Board to ensure alignment to FSRA requirements including the Sound Business and Financial Practices Rule.

Respectfully submitted,



Jeff Carter, Committee Chair

Committee Members: Judy Cameron, Thomas Gregoriades, Mary McGee

Report from the Audit and Risk Committee

The Audit and Risk Committee's primary function is to assist the Board of Directors in fulfilling its oversight responsibilities related to effective risk management of the Credit Union. Key responsibilities include ensuring the integrity of the financial statements, assessing the effectiveness of the internal audit practices and the oversight of Kawartha's operational risk management program.

The Audit and Risk Committee fulfills these responsibilities by:

- Reviewing the financial information and reporting processes including the risks and controls related to those processes which Management has established.
- Ensuring the Internal Auditor's recommendations are actioned, and independence is maintained.
- Providing oversight of credit risk, asset liability management, operational resilience and compliance with regulatory and legal requirements.

The Audit and Risk Committee is comprised of four directors and has a mandate that includes, but is not limited to, all of the tasks specified for Audit Committees in the Credit Unions and Caisse Populaires Act, 2020, the associated regulations and the Kawartha Audit and Risk Committee Terms of Reference. The Audit and Risk Committee met five times during the 2024 fiscal year to complete its responsibilities including:

- Reviewed the financial statements and results of the year end audit with the external auditor and recommended for Board approval the audited 2023 financial statements and notes, along with other year end reporting requirements.
- Reviewed Management's response to the audit findings and oversaw resulting actions, if any, and recommended both to the Board.
- Reviewed the performance of the external auditor.
- Reviewed the external auditor engagement letters for the 2024 year-end audit.
- Reviewed the internal audit charter and annual internal audit plan and recommended both to the Board for approval.
- Met with the Vice President, Internal Audit (without Management present), to review the performance of internal audit activities, internal audit reports, Management actions to implement recommendations and to confirm the Internal Auditors independence.

Report from the Audit and Risk Committee

- Ensured that regulatory filings were submitted on time.
- Reviewed results of regulatory and other third-party examinations and oversaw resulting actions.
- Reviewed the Credit Union's applicable policies, procedures, and controls for legislative compliance, ensuring an effective compliance program is in place.
- Recommended the Credit Union's risk appetite and risk tolerance limits as part of the Enterprise Risk Management reporting to the Board.
- Monitored the adherence of Directors, Officers, and Employees with the Credit Union's policies and code of conduct.
- Reviewed outstanding legal issues.
- Reviewed anti-money laundering and fraud management activities reporting.
- Reviewed Management's business continuity planning including timely and effective responses to incidents, the effectiveness of the Credit Union's cyber security and the information system availability for members.
- Reviewed Management's expected credit loss allowance, assumptions and scenarios considered.
- Completed a self-assessment on the effectiveness of the Committee and reviewed the performance of the Committee Chair.

Management has implemented all Committee recommendations and there are no matters which the Committee believes should be reported to the members or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,



Nancy Herr, Committee Chair

Committee Members: Adam Harvey, Robert Lake, Colin McKeen

About Kawartha Credit Union

Kawartha Credit Union serves over 50,000 members both online and in-person with a network of 23 branches across Central and Eastern Ontario. With more than 70 years of history and a focus on service excellence, Kawartha delivers a full suite of competitive financial products and needs-based advice. We also provide access to thousands of Exchange Network® surcharge-free ATMs in North America. Membership at Kawartha is open to anyone looking for a local financial services provider. Members enjoy peace of mind with deposit insurance through the Financial Services Regulatory Authority (FSRA). Eligible deposits in registered accounts with Ontario Credit Unions have unlimited deposit insurance coverage through FSRA, while non-registered accounts are insured up to \$250,000.

Branch Network

Bancroft
Bracebridge
Brockville
Burk's Falls
Cobourg
Cornwall

Huntsville
Keene
Kingston (3 locations)
Kinmount
Lindsay
Little Britain

Napanee
Parry Sound
Peterborough (4 locations)
Smiths Falls
South River
Trenton

