64th Annual Meeting

March 20, 2018

APAC Room – 3M

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★★★★★ Financial Solutions for 3Mers

Agenda

- Call to Order
- Introduction of Board of Directors and Supervisory Committee
- Proof of Notice of Meeting and Declaration of Quorum
- Minutes from the 63rd Annual Meeting
- Reports
  - Nominating Committee: Mike Kronebusch
  - Chairman: Tom Hangge
  - Supervisory Committee: John Schwalbach
  - CEO/President: Kristi Mukomela
- Approval of Written Reports
- Unfinished Business
- New Business
- Adjournment

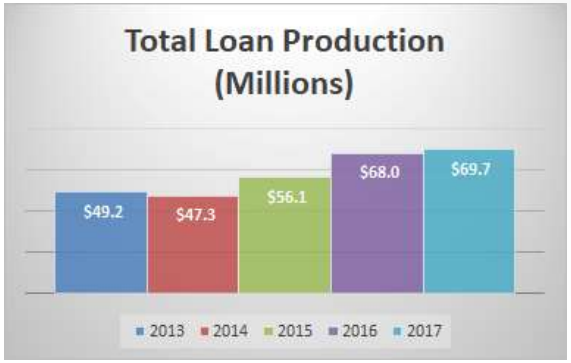
2017 Accomplishments

- All-time high in assets:
  - Ended the year at $141 million
  - 10.1% growth over 2016 (peer at 5.4%)
  - 41% increase since 2013

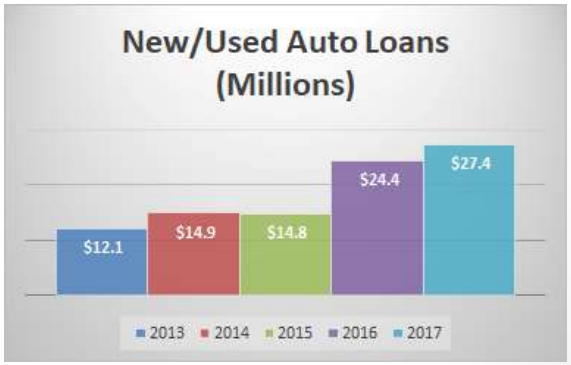
- Total loans also have reached an all-time high of $121.4 million:
  - Represents a 11.4% increase over 2016
  - 60% increase since 2013
  - Lead by a 38% increase in new/used auto loans

2017 Accomplishments

- Overall Loan Production remained very strong in 2017. Led by:
  - Auto
  - Recreational Vehicles
  - Mortgages
  - Visa



- We continue to offer a market leading rate for new/used auto loans:
  - Result of a strategic decision made in April 2016 to lower the rate significantly
  - Proven to be very popular with members
    - 2,700 have taken out an auto loan with Novation since April 2016
    - 1,400 alone in 2017



2017 Accomplishments

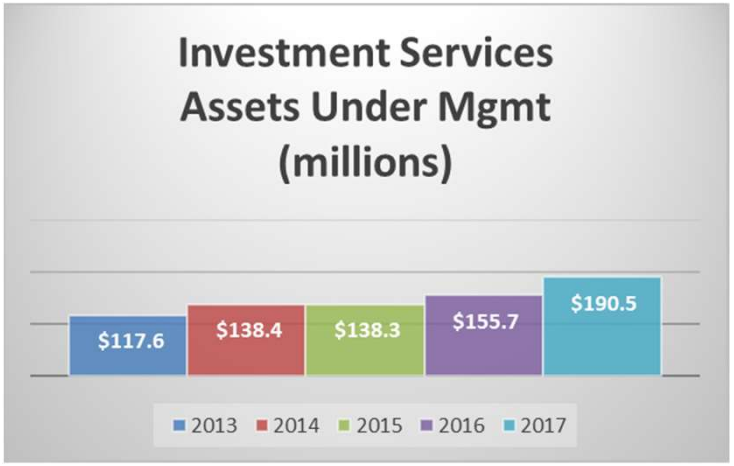
- Record year as 544 3Mers became members of Novation:
  - Hutchinson and other plant locations accounted for 24% of this success
  - 8% increase over 2016
  - Membership events, auto loan rate and word of mouth key factors
  - Offering complete financial solutions at Bldg. 222 and 275 branches, as well as Hutchinson micro-branch, also drives awareness and convenience
- Including all 3Mers, retirees and family members, a total of 1,035 joined Novation in 2017
- Net membership growth continues to exceed 4% (peer is 1.5%)

2017 Accomplishments

- Fostering a compelling member experience is an important factor in our success and growth:
  - Branch renovations designed to offer consistent delivery of our solutions
  - eServices are now promoted as our 6th branch and continue to be very popular
    - Redesigned website
    - Used by 70% of our members
    - Ability to deposit checks with a mobile device from anywhere at anytime

2017 Accomplishments

- Excellent year for Novation Investment Services:
  - Celebrating 19 years of service to 3Mers
  - Assets under management now exceeds $190 million - 22% increase over 2016
  - Now serve 948 clients for all their retirement needs
  - Expanding in Hutchison market



2017 Accomplishments

- Net Income ended the year at $804,000:
  - Resulted in a 59 bp Return on Assets
  - Exceeded peer by 6 bp
  - Delinquencies remain low – 55bp lower then peer

- Total Member Equity grew to $11.2 million:
  - 8% increase over 2016
  - 39% increase since 2013

Looking Forward

- Increase in short-term and long-term rates in 2018 (and beyond) will cause some levels of competitive uncertainty in our industry:
  - Instituted monthly pricing meetings to review competitive rate changes
  - Strategic decision to offer attractive rates on Signature solutions will continue
- We remain committed to making significant investments in solutions that will enhance our members lives:
  - Improving our operating efficiency in order to provide higher rates of returns for our membership (especially in a rising rate environment)
  - Continual evolution of our digital channels
  - Use of analytics to ensure we are providing the right solutions at the right time
  - Engage in proactive leadership development and succession planning
  - Continue to be a financial institution that exclusively serves 3Mers, retirees and their families

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Questions

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