

YOUR FINANCIAL PARTNER FOR LIFE



2023 ANNUAL REPORT

novation[★]

Board Chair & President Report

Novation Credit Union's 2023 focus was on delivering value to our continually growing membership while positioning ourselves to further elevate the member experience in 2024. A successful leadership transition, the introduction of new technologies and solutions such as video banking, and preparations to support members transitioning from 3M to Solventum were just a few of the past year's highlights.

As a member-owned financial institution, we were excited by the launch of our "Your financial partner for life." tagline. This tagline acknowledges that each member's life journey is unique and defines our promise for the future: being your true and trusted financial partner for all of life's milestones. We continue to enhance our ability to be your partner through a combination of comprehensive solutions, personalized service, financial wellness resources, and the ability to bank with us from anywhere.

While 2024 marks 70 years of Novation and our support of 3M employees, retirees, and their families, we continue to evolve our approach to engaging with our valued members. To continue supporting 3Mers in their flexible working environment, we installed a virtual branch with an ATM at 3M Center, supported financial literacy webinars through Employee Resource Networks (ERNs), and engaged with members of the 3M Club at numerous events. Our expanded efforts to engage with 3M manufacturing plants across the U.S. resulted in over 50 in-person appearances, 225 new members, and countless interactions with existing members.

We are also excited and ready to welcome Solventum employees, retirees, and their families into Novation as the new healthcare company's spin off from 3M becomes official in 2024. Existing members can expect a seamless transition, and new members continue to be welcome as they embark on the next chapter of their careers.

In McLeod County (MN), we continue to grow our membership through our Hutchinson branch where we proudly serve anyone who lives, works, or goes to school in the county. Regular visits to the 3M Hutchinson plant and continued support of local high school teams and activities strengthen our ties to this local community.

As previously mentioned, everyone faces their own life path and has various financial needs along the way. Recognizing that finances are a leading cause of stress for many, Novation is committed to increasingly making financial literacy resources available to members and their communities. We have further demonstrated this commitment with the launch of the Novation Foundation, a non-profit 501(c)(3) organization focused on supporting financial wellness causes and reducing the burden of

financial stress on our members, their families, and their communities. The Foundation also allows supporters to become credit union members with a minimum \$10 donation, opening the door for our members to refer neighbors and friends to Novation.

Novation Investment Services continues to be a successful organization, again setting new highs for clients supported and assets managed in 2023. The

team is consistently recognized for their sound expertise, knowledge of 3M retirement plans, and straightforward, low-fee structure. They are an attractive option for those looking for financial planning at any stage of their career or life.

Ultimately, our ability to provide value to our 17,000+ members requires strong fiscal positioning and governance. Our net worth ratio improved to 8.86% to end 2023 while we offered attractive deposit, credit, and loan rates and made over \$78 million in loans to help members acquire new homes and vehicles, complete home improvement projects, pay for college, and more.

We are well positioned to help our members meet their new financial opportunities in the year ahead. We also continue to innovate how members can engage with Novation as expectations evolve for how, where, and when banking is done. For starters, look for an expanded loyalty program, new financial literacy offerings, an upgraded communication system, and redesigned website.

Novation stands ready for the future and to support members wherever life's journey takes them.



Dawn McGinley
Board of Directors Chair

Mike Kronebusch
President/CEO

Financial Statement

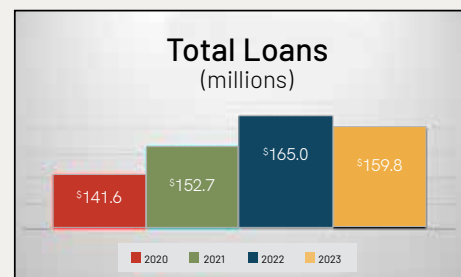
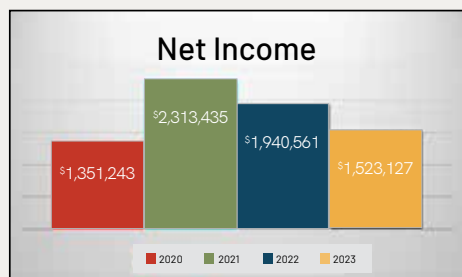
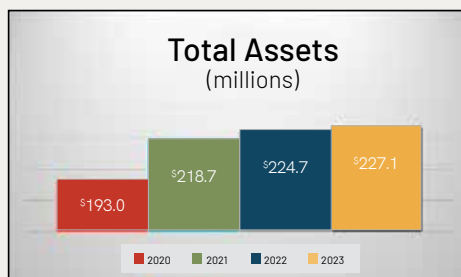
as of December 31, 2023

Assets	2023	2022
Net Loans to Members	\$159,768,382	\$164,960,542
Cash and Investments	55,869,850	50,481,672
National Credit Union Share Insurance Fund Deposit	1,985,279	2,015,016
Fixed Assets	2,114,832	2,310,187
Other Assets	7,343,497	4,942,275
Total Assets	\$227,081,840	\$224,709,691
Liabilities & Member Equity		
Member Share	\$206,097,454	\$205,570,932
Payables and Other Liabilities	1,341,838	1,054,462
Total Liabilities	\$207,439,292	\$206,625,394
Statutory Reserve	\$2,056,350	\$2,056,350
Operating Reserves	17,586,198	16,027,947
Total Member Equity	\$19,642,548	\$18,084,297
Total Liabilities & Member Equity	\$227,081,840	\$224,709,691

Operating Statement

as of December 31, 2023

Income	2023	2022
Interest on Member Loans	\$7,201,941	\$5,719,626
Interest on Investments	1,313,322	717,858
Non-Interest Income	2,778,202	2,827,276
Total Income	\$11,293,465	\$9,264,760
Expenses		
Employee and Volunteer Expenses	\$3,746,712	\$3,399,190
Operations	3,202,878	3,035,957
Occupancy	326,981	295,299
Provision for Loan Loss	260,109	161,636
Loss on Real Estate Owned	0	0
Member Dividends & Funding Costs	2,233,658	432,117
Total Expenses	\$9,770,338	\$7,324,199
Net Income to Member Equity	\$1,523,127	\$1,940,561



Supervisory Committee Report

The role of the Supervisory Committee at Novation is to ensure that the Board of Directors and Management are safeguarding members' assets by adhering to an appropriate governance structure and following established policies. On behalf of the membership, the Committee regularly reviews and monitors internal controls and risk management practices.

The Supervisory Committee is also charged with making sure an annual audit of the financial records is completed. Wipfli LLP audited Novation's books as of September 30, 2023. This independent audit is designed to provide an unbiased assessment as to whether the financial statements are free of any material misstatements.

We are pleased to report that through the internal reviews and the external audit, the Supervisory Committee, once again, finds Novation to be in a position of financial strength. Wipfli LLP issued an unqualified opinion and found no material weaknesses that would cause a misstatement of the financial statements. A copy of the audit report is available by contacting Novation's Chief Financial Officer or any of the committee members. Your trust in Novation is never taken for granted. These measures—along with many others—are designed to ensure that your deposits are safe and that Novation continues to operate in a manner consistent with being a safe, sound and well-managed financial institution.

LEADERSHIP

Board of Directors

Dawn McGinley Chair
Matt Juhl Vice Chair
Shawn Schow Secretary
Wendy Benson
Dan Carlson
Beth Edinger
Joe Paul
John Schwalbach
Daryl Thoennes

Supervisory Committee

Ray Aalderks
Beth Eskra
Mark Huberty
Morgan Weber
Waldo de la O

Management

Mike Kronebusch President/CEO
Terry Kahle Vice President of Finance/CFO
Nick Altavilla Vice President of Digital Experience & Operations
Tyler Sachse Vice President/Chief Marketing & Strategy Officer
Todd Brandel Director of Lending



SOLUTIONS

Auto Loans

Offer market-leading rates and hassle-free closings.

Incentive Checking

Earn a high dividend just by using your checking account—no hidden fees—no balance requirements.

Investment Services

Our advisors have helped hundreds of 3Mers, as well as others, to plan for and successfully retire.

Money Markets

Save with competitive rates with no restrictions.

Mortgages

Exceptional service and competitive rates with additional support for first-time homebuyers.

Private Student Loans

When you need help funding school. No origination or prepayment fees.

Student Loan Refinance

Consolidate all your student loans into one easy payment.

Visa® Cards with Rewards

Earn valuable rewards when using our debit and Platinum credit cards.

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