

Honda Federal Credit Union 2024

58th - Annual Meeting Minutes - Hybrid

September 25, 2024

CALL TO ORDER

Mr. Coe called the annual meeting of the Membership of Honda Federal Credit Union to order at 4:03 pm EST/1:03 pm PST on Wednesday, September 25, 2024, from Torrance, CA and virtually on Microsoft Teams.

DIRECTORS PRESENT

Carl Coe, Chairman

Allison Neumann, Vice Chairwoman

Steven Nicholson, Secretary

Paul Brumfield

Bruce Garfield

Stacie Carper

Fred Payne

Stephen Rader, Supervisory Chairman

DIRECTORS ABSENT

Charles Harmon, Treasurer

QUORUM

With 128 members in attendance virtually and in-person, Mr. Cottone determined that a quorum was present, in accordance with the Bylaws of Honda Federal Credit Union (HFCU), at least 15 members constitutes a quorum; calling this meeting to Order.

Mr. Cottone described the virtual poll and in-person voting process to accept the Minutes of last year's Annual Meeting, and questions process, which will be answered by CEO, Ken Fischbach. In addition, Mr. Cottone recognized Mr. Coe's professional background and years of service.

MINUTES

Mr. Nicholson made a motion to approve the Minutes of the 2023 Annual Meeting held on September 27, 2023. The motion was seconded by Ms. Carper and carried by vote of the membership present. Mr. Cottone announced closing of the voting poll, and shared the members have voted to accept the Minutes of the 2023 Annual Meeting Minutes.

Chairman Coe made welcoming remarks and introduced the Board of Directors and Supervisory Committee Chairman to the members.

CHAIRMAN'S REPORT

Chairman Coe mentioned highlights from the year:

- Assets grew to \$1.16 billion
- Loans decreased by \$35 million to \$953 million
- Year-end cash stood at \$117 million, a \$67 million increase from the prior year
- At the close of the business year, the Credit Union had \$575 million in mortgage loans
- The Credit Union originated \$29 million in new home loans for 117 members
- The Credit Union funded \$75 million in real estate loans for 629 members
- Provided over 4,500 members with financing to purchase, or refinance, vehicle loans, totaling \$120 million
- At the end of the business year, the Credit Union had \$237 million in auto loans, down \$16 million from last year
- The Visa loan portfolio grew by \$4 million to \$54 million
- Other lending products grew by \$3 million to \$54 million
- Credit Union lending was down 3.2% from the prior fiscal year
- End of year loan-to-share ratio was 90.2%, down 9.7%
- Credit Union branches performed over 180,000 transactions, opened 3,242 new member accounts, and funded 8,364 loans for \$83.6 million
- Members performed nearly 313,000 ATM withdrawals during the year for \$68.3 million.
- 54,514 ATM deposit took place for a total of \$24.3 million
- The Contact Center received nearly 204,000 calls and performed 81,653 transactions.

Chairman Coe shared the theme for the Board and Management team's strategic dialogue for the coming year: "The Strength to Weather the Financial Storm". The primary strategic focus reflected the impact of the recent rising rate environment on the Credit Union's financials and the best ways to improve the HFCU experience.

TREASURER'S REPORT

Mr. Nicholson presented the Treasurer's report on behalf of Mr. Harmon, noting the Credit Union's financial stability within the rising rate environment. Mr. Nicholson highlighted the following points:

- Total Revenue remained flat for the year as a \$2.5M decrease in interest income was offset by an increase of \$2.5M in non-interest income.
- Cost of Operations increased by 9.6% from the prior year driven by compensation and outsourcing expenses.
- The Credit Union paid out \$9M more in Dividends to its Members, as compared to the prior fiscal year passing on the benefits of higher market rates to our members.
- The amount in regulatory reserves set aside in 2024 to cover prospective Loan Losses increased by \$3 million reflecting a change in methodology which required additional reserves to be set aside in the previous year.
- Net Income decreased by \$6.6 million year over year and was below budget by \$2.9 million.

- Capital Reserves remained stable at \$92 million, which resulted in a Capital to Asset Ratio of 7.9% (GAAP) and a Regulatory Capital Ratio of 8.9%.

Mr. Nicholson noted the Credit Union continued to remain a “Well Capitalized” Credit Union, well above the minimum regulatory threshold of 7.0%

SUPERVISORY COMMITTEE REPORT

Supervisory Committee Chairman, Mr. Rader, delivered the following report:

- The Supervisory Committee is an essential part of the Credit Union’s management, required by the Federal Credit Union Act and most credit union laws. It’s major responsibilities are to ensure internal and annual audits are performed, and that any findings are resolved and appropriate changes are implemented.
- The Committee is also responsible to oversee periodic member account verifications at least once every two years, reviewing performance of the officials and employees, and making recommendations to HFCU Board of Directors for improvements in the safety and soundness of the Credit Union. In addition, the Supervisory Committee ensures that proper practices and procedures are in place, safeguarding and protecting the interests of the members, assets and financial soundness of the Credit Union.
- Further, the Committee employs certified public accountants and other qualified persons to perform audits and account verifications.
- On behalf of the Supervisory Committee, Mr. Rader shared the Supervisory Committee is pleased to report that all results of audits performed and reviews of Honda Federal Credit Union’s practices and procedures during the 2024 Fiscal Year would support that the Credit Union is being managed and operated in a financially safe and sound manner.

CEO REPORT

Mr. Fischbach, CEO, briefly introduced the Credit Union’s Senior Management Team and provided an overview of the US economy from the COVID pandemic to the recent interest rate environment. Mr. Fischbach highlighted the Credit Union’s strategy throughout the fiscal year to preserve and attract liquidity and manage the balance sheet to maintain the stability of the Credit Union’s capital. Additionally, Mr. Fischbach highlighted the Credit Union’s strategic focus for the upcoming fiscal year which included new loan originations and bringing value to Credit Union members.

OLD BUSINESS

There was no old business to report.

NEW BUSINESS

There was no new business to report.

ELECTION RESULTS

Ms. Carper, Nominating Committee Chairman, noted two vacancies on the HFCU Board of Directors. The Nominating Committee nominated two members and recognized that the membership did not present other nominees via petition. In accordance with the Bylaws, the two members nominated by the Nominating Committee were declared duly elected. Newly elected Board members were as

follows:

- Bruce Garfield
- Paul Brumfield

Mr. Cottone noted to the audience of attendees that the meeting would now be open to address questions to be answered by Mr. Fischbach. Mr. Cottone proceeded to share and answer various questions that were submitted.

ADJOURNED

Chairman Coe adjourned the meeting at 4:59 pm EST/1:59 pm PST