

HONDA
Federal Credit Union

ADDRESS:

19701 Hamilton Avenue, Suite 130
Torrance, CA 90502-1352

PHONE:

1-800-634-6632 (1-800-63-Honda)

FAX:

1-310-217-8211

www.hondafcu.org





HONDA
Federal Credit Union



A TEAM ON YOUR SIDE



ANNUAL
REPORT

2
0
1
9



TABLE OF CONTENTS

- 04 Message From CEO
- 06 One Team Honda
- 07 Purpose and Direction
- 08 Positioning Story
- 09 Chairman's Report
- 11 Treasurer's Report
- 12 Supervisory
Committee Report
- 13 Independent
Auditor's Report
- 14 Financials
- 19 Board Of Directors
- 22 Supervisory Committee,
Executive Management &
Management Team
- 23 ATM & Branch Locations

MESSAGE FROM THE CEO

For over 50 years, Honda Federal Credit Union has strived to deliver financial products and services to Honda Associates and their family members. As our Members' financial journeys evolve, HFCU must evolve along with them and work to exceed their expectations.

As new technologies are developed, and new products created, HFCU must be able to innovate for the Member experience and retain its role in the Member's financial journey which enhances the relationship and maintains relevancy. Our evolution is the key to not only our members' success, but the Honda Federal Credit Union Organization as well.

Staff support of the Member journey has evolved in scope and complexity. Skills and personality are critical, as technology has changed the way we interact with Members. Due to the continued evolution of technology, high tech/high touch has become the norm for Member interactions. Thus, every moment of contact has become crucial for a positive Member experience.

Being an active participant in our Member's journey will not only allow the Credit Union to deepen its relationship with Honda associates and family members, but will also secure our position as their preferred financial institution as well.

Being part of our Members' journey means being a part of our Members' financial success through all life stages. HFCU is an integral team member, in the ever-evolving path, as our Members travel down the road to their financial wellness destination.

Your Life is a Journey, Honda FCU will be there every step of the way.

TOGETHER, WE'RE BETTER.



STEVE BRANDON
CEO of Honda FCU



ONE TEAM Honda

- “One Team Honda” speaks well to the fact that HFCU is a member of the Honda Family, working together with the Honda Companies to better serve Honda Associates and their families.
- Just as Honda uses “One Team Honda” to bring new energy and ideas that will make Honda stronger, HFCU uses this theme to build a stronger culture and lifestyle throughout our organization.
- By working together as One Team Honda, our associates are energized to bond with our members and work with them to assist them in realizing their dreams.
- As a member of the Honda Family, we share the same Core Values as the rest of the organization:

DREAMS | JOY | CHALLENGING SPIRIT | PASSION | RESPECT

- At HFCU, we live our brand every day by continuously creating an organization that is Rationally Easy and Emotionally Easy to use and by treating our Members like Family.
- Together, we are One Team Honda. The essence of Honda that guides our business for today and tomorrow. Building stronger relationships with our members and the Honda Family...

PURPOSE AND DIRECTION



MISSION STATEMENT

We are a financial cooperative proudly serving the Honda Family through all life stages.

VISION STATEMENT

Honda Federal Credit Union will be the trusted partner and preferred financial institution for the Honda Family worldwide.



BRAND STATEMENT

We strive to make every Member experience an exceptional one, to make access easy, solutions simple and to instill in each Member a sense of belonging, a sense of family.

POSITIONING STORY

We will always take great pride in our unique relationship with the Honda Family.

While we are an independent company, our Membership is made up of skilled, dedicated Honda Associates from plants around the country and their family members.

The name Honda has become synonymous for quality, reliability and innovation. For more than 50 years, we've worked to live up to the name we are privileged to share.

It is our goal to create not only the highest quality financial products and services, but the most practical and productive. We want everything we offer to be something Members value and need. We want to be that single source Members know they can always count on. In an era of change for change's sake, we strive to shake up the status quo with advances that aren't simply what's new, but what's next.

We are committed to being the finest financial institution Honda Associates and their families can partner with. We want every person eligible to join our credit union to come to one simple conclusion:

TOGETHER, WE'RE BETTER.

CHAIRMAN'S REPORT

Our theme this year is "Member Journey." As an important part of the Honda Family, we work diligently to serve Honda Associates' and their families' financial needs. Our vision statement is to "be the trusted partner and preferred financial institution for the Honda Family worldwide."

This vision includes providing members of the Honda family with the best quality service humanly possible. Hopefully, as you access and use our products on your financial journey, you experience the fulfillment of that dream.

The business year just ended has been successful for HFCU. Overall, assets increased from \$804 million to \$875 million, up over 8% from last year. Loans increased from \$634 million to \$683 million. Big kudos to our lending and management teams, and our good members for making this possible.

Cash stood at \$67 million at year end, up \$38 million from this time last year. Our goal is to keep a minimum amount in cash, putting your money back to work for our valued members.

Lending continues to be at the heart of what we do. At the close of the business year we had \$352 million in mortgage loans, up 35 million from this time last year. All together, we served 913 members with mortgage loans during the year, totaling \$100,364,923.

At the end of the business year, we had \$241 million in vehicle loans, up \$14 million from this time last year.

During the year, we financed vehicle loans for 5,869 members, totaling \$112,236,998.

At the end of the year we had \$53 million in Visa loans, about where we were last year. And we had \$38 million in other lending products, up \$3 million from last year. Overall, HFCU lending was up an impressive 8% last year.

Our loan to share ratio is at 92%, about where we were at this time last year. This is compared to an industry average of about 83%. Again, our goal is to put your money back to work, serving members. Money sitting on the books is not helpful. Having 100% of your money loaned out is within the realm of possibility. We want to loan everything we can back to valued HFCU members.

While we are increasing loans to members, our default rate is extremely low. At year-end, our loan loss rate was a mere 0.20%. Incredibly, this has been accomplished while significantly increasing the number of loans and the amount loaned out. This is compared to a loan default rate for the banking industry of about 1.75%.

During the year, our branches performed over 341,000 transactions; welcomed over 4,500 new members; and processed over 12,500 loan applications, funding over 10,300 new loans.

Additionally, our members performed over 627,000 ATM transactions last year for over \$107.3 million.

During the business year just completed, Honda FCU supported Honda Powersports group through issuing over 2,240 incentive card payments to dealership sales associates.

An important function of the board of directors is to appoint a supervisory committee. The committee, and their capable chairman, serves as the company watchdog, hires auditors and fields concerns from members.

Each spring the board and management team get together for a strategic dialogue and to set direction for the coming year. We then meet each month to review activity and ensure that those goals are being met.

The big item to come out of our planning meeting this year is the upcoming introduction of our new online and mobile banking. The management team has been working with Q2 of Austin, TX, to develop the new products. Q2 is an industry leader in digital banking. Members should start seeing the changes after the first of the year.

The new system will have some great features. Included will be the ability to transfer funds in and out of non-HFCU bank accounts; person to person payments; improved risk and fraud monitoring; and much, much more. We think you are going to love the new online and mobile banking.

On the credit card front, I have some great news. Our staff is currently working to revise the Visa

rewards program. In the near future, as a Gold or Business Visa cardholder you will be able to earn extra rewards points when you use your card at certain merchants during bonus point offering seasons. Details will be announced soon.

“Member Journey” is something we consider and address daily at HFCU. Our dedicated staff works to provide members with the best possible service and a superior banking experience.

Together, we are on a journey. The essence of Honda guides every aspect of our business for today, tomorrow and into the future.

As we move forward in this shared journey, let me say it has been an honor and a privilege serving you. On behalf of the board of directors and the HFCU management team, thank you for your continued confidence and support.



A handwritten signature in black ink, appearing to read 'Carl R. Coe'.

CARL COE
CHAIRMAN
Board Of Directors

TREASURER'S REPORT

The management team and your Board continue to work to provide the best possible services while concentrating on the fundamentals: controlling operating expenses, managing risk effectively and managing capital in a disciplined manner, all while continuing to deal with changes in the regulatory environment, security issues and the economy. This requires a unique balance within the management of the credit union, which has served the team well to enable the credit union to continuously achieve our service levels and financial goals.

Honda Federal Credit Union will continue to strive to meet the ever-changing range of member needs for our field of membership across the country as we move ahead, as well as ensure all transactions are safe and secure. Security of your financial transactions is paramount. At the same time, we will continue to support the Honda Companies with services to assist them with their business needs. We realize that maintaining a high level of member service and adding new services when possible is crucial to our continued success. Finally, and most importantly, we understand the importance of financial soundness as a means to ensure that continued success.

The management team, supported by the Board of Directors, continues to work diligently to ensure the organization is among the best in the industry. Honda Federal Credit Union continues to post positive financial earnings and contribute to our capital base to ensure financial soundness as indicated by the results included in this report.

Honda Federal Credit Union's Board of Directors and the management team continue to focus on meeting our members' financial needs and supporting them by providing excellent products and outstanding customer service while ensuring the credit union is maintaining a strong financial position.



A stylized, handwritten signature in black ink, appearing to read 'Charles Harmon'.

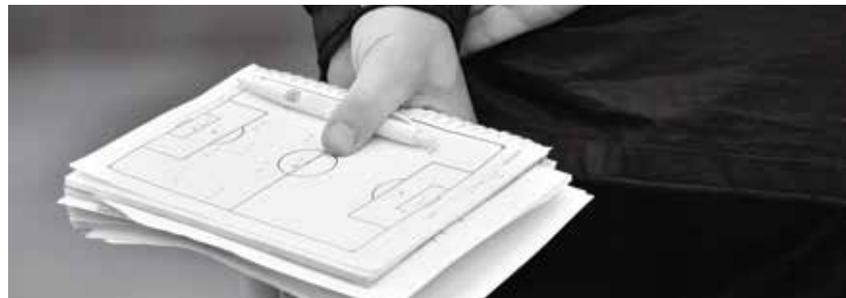
CHARLES HARMON
INTERIM TREASURER
Board of Directors

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is an essential part of the credit union's management. A supervisory committee is required by the Federal Credit Union Act and most state credit union laws. The Supervisory Committee's major responsibilities are to ensure that internal and annual audits are performed, any findings are resolved and appropriate changes are implemented in a timely manner. It is also responsible for overseeing periodic member account verifications at least once every two years, reviewing the performance of the officials and employees and making recommendations to the Board of Directors for improvement in the safety and soundness of the credit union.

In short, the Supervisory Committee is responsible for ensuring that practices and procedures are in place, which safeguard and protect the interest of the members and the assets and financial soundness of the credit union.

In order to carry out its responsibilities, the Supervisory Committee employs certified public accountants and other qualified persons to perform audits and account verifications.



The Supervisory Committee is pleased to report that the results of audits performed and reviews of Honda Federal Credit Union's practices and procedures during the 2019 fiscal year would support that the credit union is being managed and operated in a financially safe and sound manner.



A handwritten signature in black ink that reads "John L. Kaufman".

JOHN KAUFMAN
CHAIRMAN
Supervisory Committee

INDEPENDENT AUDITOR'S REPORT



To the Members

Honda Federal Credit Union
Torrance, California

We have audited the accompanying financial statements of Honda Federal Credit Union, which comprise the statements of financial condition as of June 30, 2019 and 2018, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Handwritten signature of Michael E. Richards.

MICHAEL E. RICHARDS, CPA
RICHARDS & ASSOCIATES
Certified Public Accountants
Yorba Linda, California

September 25, 2019

STATEMENTS OF FINANCIAL CONDITION JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 68,007,900	\$ 29,326,808
Investments	100,450,252	117,390,055
Loans receivable, net of allowance for loan losses	683,341,943	633,657,634
Property & equipment	9,992,082	8,747,143
Accrued interest receivable	1,777,825	1,617,849
Share insurance deposit	6,914,166	7,103,917
Foreclosed and repossessed assets	174,859	313,548
Prepaid expenses and other assets	4,697,221	6,474,655
TOTAL ASSETS	\$ 875,356,248	\$ 804,631,609
LIABILITIES & EQUITY		
Members' share and savings accounts	\$ 742,729,870	\$ 684,101,488
Accounts payable and other liabilities	50,610,608	46,415,973
TOTAL LIABILITIES	\$ 793,340,478	\$ 730,517,461
Commitments and contingent liabilities		
Members' equity, substantially restricted		
Appropriated (regular reserve)	8,322,208	8,322,208
Unappropriated (undivided earnings)	74,696,425	70,574,250
	83,018,633	78,896,458
Accumulated other comprehensive income	(1,002,863)	(4,782,310)
TOTAL MEMBERS' EQUITY	82,015,770	74,114,148
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 875,356,248	\$ 804,631,609

STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
INTEREST INCOME		
Loans	\$ 31,504,205	\$ 27,271,609
Investments	2,697,194	2,662,198
TOTAL INTEREST INCOME	34,201,399	29,933,807
INTEREST EXPENSE		
Members' share and savings accounts	5,913,702	3,391,909
Borrowed funds	342,521	12,622
TOTAL INTEREST EXPENSE	6,256,223	3,404,531
NET INTEREST INCOME	27,945,176	26,529,276
PROVISION FOR LOAN LOSSES	1,380,000	1,335,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,565,176	25,194,276
NON-INTEREST INCOME		
Service charges and other income	12,614,080	11,825,685
TOTAL NON-INTEREST INCOME	12,614,080	11,825,685
NON-INTEREST EXPENSE		
General and administrative expenses		
Compensation and benefits	17,519,414	15,955,641
Office operations	10,715,579	9,783,604
Other expenses	6,822,088	6,056,340
TOTAL NON-INTEREST EXPENSES	35,057,081	31,795,585
NET INCOME	\$ 4,122,175	\$ 5,224,376

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NET INCOME	\$ 4,122,175	\$ 5,224,376
Net change in unrealized loss on available-for-sale securities	3,779,447	(2,469,480)
TOTAL COMPREHENSIVE INCOME	\$ 7,901,622	\$ 2,754,896

STATEMENTS OF MEMBERS' EQUITY FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income	Total
Balances, June 30, 2017	\$ 8,322,208	\$ 65,349,874	\$ (2,312,830)	\$ 71,359,252
Comprehensive income		5,224,376	(2,469,480)	2,754,896
Balances, June 30, 2018	8,322,208	70,574,250	(4,782,310)	74,114,148
Comprehensive income		4,122,175	3,779,447	7,901,622
Balances, June 30, 2019	\$ 8,322,208	\$74,696,425	\$ (1,002,863)	\$ 82,015,770

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,122,175	\$ 5,224,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,380,000	1,335,000
Depreciation and amortization	3,228,360	3,040,482
Premium amortization net of discount accretion	971,354	1,008,847
Changes in operating assets and liabilities		
Increase in accrued interest receivable	(159,976)	(193,470)
Decrease (increase) in prepaid expenses and other assets	1,777,434	(244,914)
Increase in accounts payable and other liabilities	4,194,635	3,468,622
Total adjustments	11,391,807	8,414,567
Net cash provided by operating activities	15,513,982	13,638,943
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans granted, net of principal collection		
Net decrease (increase) in foreclosed and repossessed assets	(51,064,309)	(73,144,400)
	138,689	(119,771)
Sale or maturing of securities	20,216,996	22,976,803
Acquisition of securities	(469,100)	(20,487,898)
Purchase of property and equipment, net of disposals	(4,473,299)	(1,985,305)
Decrease (increase) in share insurance deposit	189,751	(724,002)
Net cash used in investing activities	(35,461,272)	(73,484,573)

STATEMENTS OF CASH FLOWS, *continued*

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share and savings accounts	\$ 58,628,382	\$ 22,162,341
Net cash provided by financing activities	58,628,382	22,162,341
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,681,092	(37,683,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	29,326,808	67,010,097
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 68,007,900	\$ 29,326,808
SUPPLEMENT DISCLOSURES:		
Cash received during the year from interest on loans and investments	\$ 35,012,777	30,749,184
Cash paid during the year for dividends	\$ 5,913,702	\$ 3,391,909

Full auditor notes are available upon request.

BOARD OF DIRECTORS



Carl Coe
Chairman

With Honda for the past 36 years, Carl has served as Chairman of the Board of HFCU since 1992. He previously served as chairman of the Supervisory Committee and on the Loan Review Committee with another credit union.

During Carl's time with Honda he has managed the Parts Quality New Model Group and the Supplier Improvement Group for HAM Purchasing. After a time as production manager for Honda at Kasai, he returned to Honda to develop and manage the Purchasing Warranty Group.

Carl served several terms as City Council President for the City of Marysville.



Steve Nicholson
Secretary

Steve Nicholson has worked for American Honda Motor Company, Inc. for 34 years. He has served in a variety of management positions and is currently the National Sales Manager for the Powersports Business Unit in Torrance, CA. Steve has been a member of Honda Federal Credit Union for 29 years and has been on the HFCU Board of Directors since 2006 where he currently serves as Board Secretary. Mr. Nicholson graduated from the University of Georgia with a Bachelor of Science degree in Mathematics.



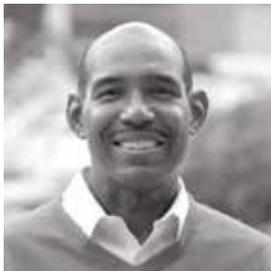
Charles Harmon
Interim Treasurer

Charles A. Harmon has worked for American Honda Motor Co., Inc. for 36 years. His responsibilities include oversight of Corporate Procurement, Corporate Services and the Procurement inclusion & Diversity business functions. Mr. Harmon has been on the HFCU Board of Directors since 2014 where he currently serves as Interim Treasurer. In addition, Charles serves on a number of other boards, to include the Southern California Minority Supplier Development Council where he currently serves as Board Chairman. Mr. Harmon attended California State University Fullerton and holds a Bachelor of Science in Business Management.



Allison Neumann
Vice Chairwoman

Allison is a Senior Manager in HNA's Finance Division and the Department Manager for the Trade Compliance group. She has been with Honda over 27 years, with all of that time in compliance areas, including international trade & customs and Sarbanes Oxley. Prior to Honda, Allison worked as a Paralegal in laws firms in Boston, MA, and Columbus, OH.



Stephen Roberts

Stephen Roberts is Assistant Vice President of Business Technology Solutions at American Honda Finance Corporation (AHFC). He is the Chief Privacy Officer, responsible for strategy and the leadership of AHFC's digital technology transformation.

Stephen has worked in business and informational technology for more than 30 years including 21 in management positions at American Honda Motor Company (AHM) and AHFC. He has led several major initiatives related to Information Security, technology transformation and customer service.

Stephen holds a BSEE from Howard University, a MEng in EE from Cornell University and a MBA from UCLA. Stephen filled a vacant seat on Honda Federal Credit Union Board of Directors beginning March 2019.



Paul Brumfield

Paul has served on the Board for the last fifteen years and prior to that he served on the Supervisory Committee.

During Paul's sixteen-years at Honda, he worked in Manufacturing and held various roles in Purchasing. Today he is Vice President at TS Tech Americas in Reynoldsburg, Ohio; Honda

is one of the firm's largest customers. His role is one of oversight and support of the Corporate Commercial Relations Division.

Paul graduated from Wright State University with a Bachelor of Science in Accounting.



Stacie Carper

Stacie Carper is a Unit Manager for Honda of America's Human Resources Department within Administration. Her Unit handles all HR related matters for all of the Support functions at HAM, approximately 2500 associates. She has been with Honda for 23 years in a variety of Manufacturing and Administrative functions. In addition, Stacie is the Co-Chair

for the Military/Veterans Business Resource Group at HAM. Prior to Honda, Stacie served 4 years in the US Navy and attended the Navy War College with a focus on Military Law.

BOARD OF DIRECTORS, *continued.*



Bruce Garfield

Our next director is Bruce Garfield. Bruce began his career with Honda 22 years ago at HNA Law Dept., where he worked on Trademarks, Logos and Brand Licensing. In 2002, he transferred to AHM Auto Ops, worked in Product Planning, New Business Development, Alt Fuel and Advertising departments. Currently, he is in the newly formed Corporate

Marketing Dept. and manages AHM's brand licensing, brand guidelines and logo compliance. Bruce received a Bachelor of Science in Business Administration, Marketing and Finance, from Pepperdine University and his legal education at Southwestern University School of Law.



Fred Payne

Fred Payne serves as the Commissioner for the Indiana Department of Workforce Development (DWD). The DWD is responsible for Indiana's workforce development & training systems, administration of the state's unemployment insurance trust fund, and the office of work-based learning & apprenticeship. Fred transitioned into his current

role from Honda Manufacturing of Indiana (HMIN), where he oversaw the Business Division and served on the Company Operating Committee. His previous roles at HMIN include General Counsel, Compliance Officer, Manager of Corporate Affairs and Administration. Prior to HMIN, Fred practiced employment & labor law in Indianapolis. He is a graduate of Indiana University Maurer School of Law and Grambling State University.

SUPERVISORY COMMITTEE

John Kaufman, Chairman

Jill Carlton

James Janik

Fred Lucci

Stephen Rader

EXECUTIVE MANAGEMENT

Steve Brandon

Chief Executive Officer

MANAGEMENT TEAM

Jim Aley, Chief Financial Officer

Jeanne Ozenne, Chief Technology Officer

Brock Kasnick, Chief Experience Officer

Joe Mattera, Chief Retail Officer

Dave Cottone, Chief Lending Officer

Mary Anawalt, VP Corporate Business

Mary Morikawa, Compliance Manager



ATM LOCATIONS

ALABAMA

Lincoln

HMA - Northwest side of the office
HMA - Line 2 at Associate Entrance
HMA - Line 2 Upstairs at Associate Entrance
HMA - Welcome Center

CALIFORNIA

Torrance

AHM - Torrance Building
100 Vending Core
AHM - Torrance Branch Office

INDIANA

Greensburg

HFCU Lobby and Drive-Up
HMIN - 2755 N. Michigan Ave. Cafeteria

OHIO

Anna

AEP - Anna South Entrance
AEP - Anna West Entrance

Bellefontaine

200 E. Sandusky Ave. (Village Pantry)
1138 N. Main St. (Village Pantry)

Celina

7059 Staeger Rd.
(CAPT - Not available to the public)
East Liberty
ELP - East Liberty Cafeteria
ELP - East Liberty Plant Entrance

Kenton

350 S. Main St. (Village Pantry)

Marysville

HFCU - 17655 Echo Drive
(Lobby and Drive Thru)
HFCU - 19775 S.R. 739
(Lobby and Drive Thru)
HAM - 23800 Honda Parkway
(North Cafeteria)
HAM - East Entrance
HAM - South Entrance
HAM - West Cafeteria Entrance
HAM - Motorcycle South Entrance
303 E. Fifth St. (Downtown Marysville -
Village Pantry)
1301 W. Fifth St. (Village Pantry)
24025 Honda Parkway
(Honda Heritage Hall)

Raymond

21001 S.R. 739
HRA - Cafeteria Entrance

Russells Point

HTM - Associate Entrance
209 S.R. 708 (Indian Lake Plaza)

St. Marys

1115 Celina Rd.
(Pump and Pack Shell Station)

North Carolina

Swepsonville

3721 S.R. 119
HPE - Associate Cafeteria

South Carolina

Timmonsville

HSC - Associate Entrance
HSC - Northeast Corner Cafeteria

BRANCH OFFICE

LINCOLN, AL

(Two Locations: Main and Line 2)
1-800-634-6632
FAX: (205) 355-5820

TORRANCE, CA

1-800-634-6632
FAX: (310) 781-6615

GREENSBURG, IN

1-800-634-6632
FAX: (812) 222-6500

ANNA, OH

1-800-634-6632
FAX: (937) 498-5618

EAST LIBERTY, OH

1-800-634-6632
FAX: (937) 644-6768

MARYSVILLE, OH

1-800-634-6632
FAX: (937) 642-5184

MARYSVILLE COMMUNITY, OH

1-800-634-6632
FAX: (937) 642-0064

RUSSELLS POINT, OH

1-800-634-6632
FAX: (937) 843-4624

TIMMONSVILLE, SC

1-800-634-6632
FAX: (843) 346-6100

