



2018



**ONE TEAM HONDA**

ANNUAL REPORT

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## A MESSAGE FROM THE CEO

Our long range objective is to take our renowned member service to the next level. We call it, "Next Gen Member Service"!

As a member-owned financial services organization, our only focus is "You", our members!

The Management Team & Your Board of Directors are committed to creating a better "member experience" for you in everything we do. Our goal is to improve every member interaction and touch point necessary.

Like most consumers, our members want to access their accounts and information via their phone or other mobile devices. This year we will be researching new ways we can offer you more products and services that meet your mobile needs. We recently launched our new website that allows you to view it from any mobile or desktop screen. We've made it easier to get information quickly and to find the nearest branch office or ATM.

Safety is a big concern for us all, and to help keep your accounts safe we issued over 45,000 chip-enabled Visa® Debit Cards this past year. For Online Banking users, we added the option to click on "Forgot Password". For your protection, users are asked to authenticate the primary owner's information as well as validate the account through security questions. Account Summary then displays a profile update as well as generates an email alert notification to the primary member's email address of record.

Further, as part of our "member giveback strategy", we are launching the 1st Annual "Member Appreciation Week" (September 24-28, 2018). We will be celebrating "You" at all of our offices across the country that week.

By all of us working as "One Team Honda", we will be able to assist you in realizing your dreams!

A handwritten signature in black ink, appearing to read "Steve Brandon".

*STEVE BRANDON*  
*Chief Executive Officer*

# 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. . .

**DEB**

*Helping Members get back on track after a financial hardship.*



# 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.**

MICKIE

Happy to assist you  
with your transaction.



## CHAIRMAN'S REPORT

Our theme again this year is "One Team Honda." As an important member of the Honda Family, we work together with the Honda Companies to better 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 financial products, you experience the fulfillment of that dream.

The business year just ended has been successful for HFCU. Overall, assets increased from \$776 million to \$804 million, up nearly 4% from last year. Loans increased from \$562 million to \$634 million. Big kudos to our lending and management teams and our good Members for making this possible.

Cash stood at \$29 million at year end, down \$39 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 \$317 million in mortgage loans, up \$46 million from this time last year. We had \$226 million in vehicle loans, up \$22 million from this time last year, \$54 million in Visa® loans, about where we were last year. And we had \$35 million in other lending products, up \$4 million from last year. Overall, HFCU lending was up 12.8% from last year.

Our loan to share ratio is now at 93%, up from 85% at this time last year. This is compared to an industry average of about 79%. 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 0.16%, down 0.10% from last year. Incredibly, this was accomplished while significantly increasing the number of loans and the amount loaned out. This is compared to a loan loss ratio for the banking industry of about 2.4%.

Fiscal 2018 was a very busy year for Honda FCU's Corporate Business and Card Services Group. Coming off the heels of over a year-long project to issue EMV chip credit cards, we dove head first into working with our project team to update our systems and issue Members EMV chip debit cards.

On June 1, 2018, our business group successfully mailed nearly 46,000 new debit cards. As with credit cards, issuing debit cards was a monumental task that touched all facets of the organization, from IT to Operations to Accounting to Compliance to Card Services, Marketing, and Member Service. Our staff worked tirelessly to ensure that Members could successfully access their money, anywhere and anytime. We are very proud to say the new cards have been very well received.

We are also proud to report that if your debit card is lost, stolen or compromised, we now offer “Instant Issue” chip card replacements. Just stop by one of our convenient HFCU branch offices, and our friendly staff will instantly issue you a new card.

This year HFCU Corporate Services assisted Honda Powersports with incentive cards, Honda Parts Marketing with loyalty cards, and issued cards to over 1,200 Clarity hydrogen car lessees.

We continue to manage the Dealer Rewards Program for Honda and Acura, cards for Parts and Service Technical Training Program, ACS’s Service Recovery Program, Honda Retiree Card Program, the Purchase Card Program for American Honda, Honda R&D, Honda Aircraft, and American Honda Finance. In total, we have managed over \$100 million for Honda through these programs in the past three years.

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.

A challenge for us this year has been effectively staffing our contact center. Call volumes were up nearly 30%, with over 28,000 calls one month. At times our staff was overwhelmed. The issue was reviewed with the management team and the Board. We recently approved increasing staffing for this important HFCU function.

“One Team Honda” not only speaks to Honda companies working together but also speaks to the tireless efforts of the HFCU staff working to provide Members with the best possible products and services.

In a time when it’s rare to speak with a real live person when you need help, our contact center is ready and available to assist with any questions Members may have about our products and services. We can answer account questions, provide information about the latest promotions, and even help Members fill out loan applications over the phone. HFCU wants to make sure Members know we are there for them when they need us.

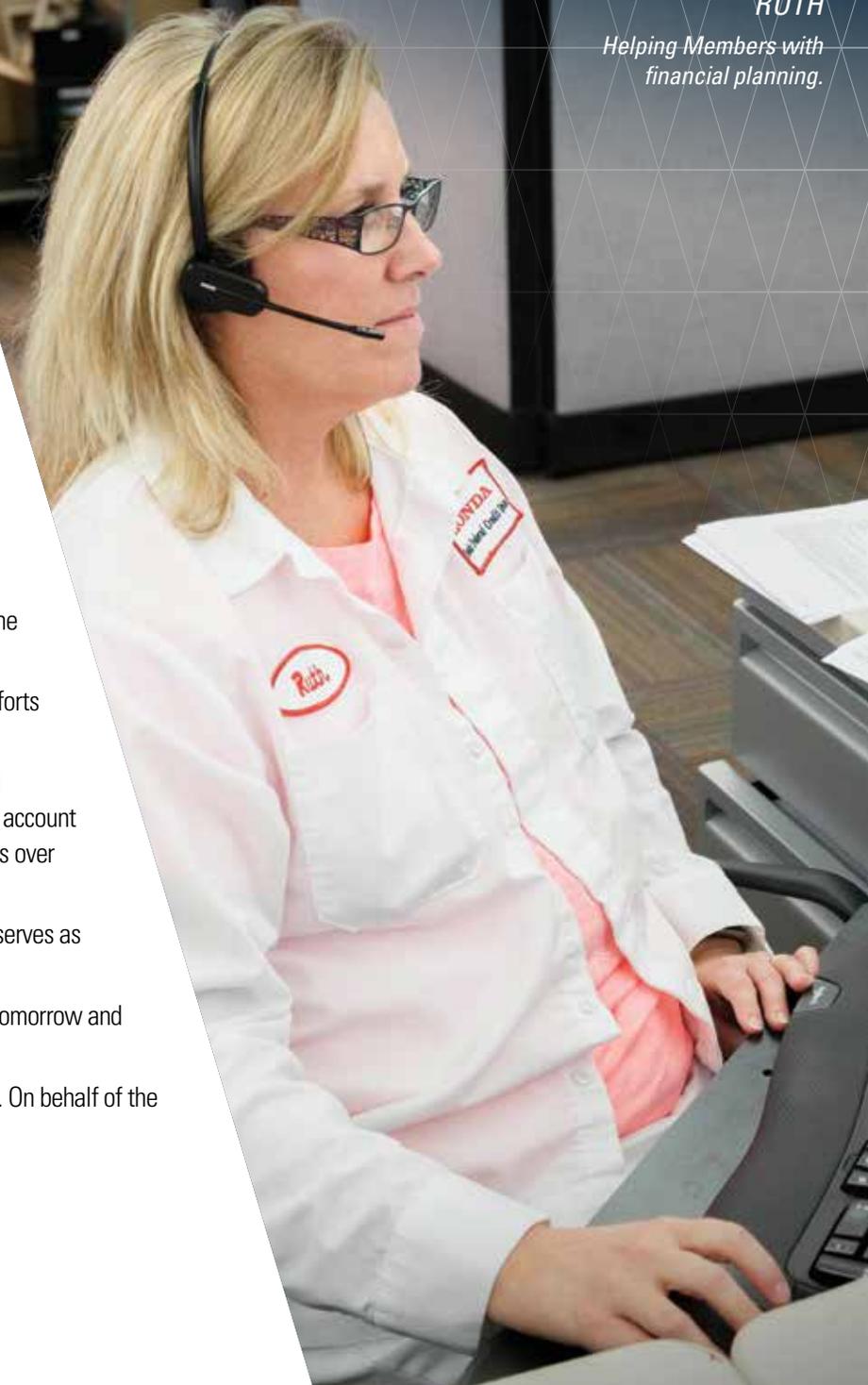
Another important function of the Board of Directors is to appoint a supervisory committee. The committee serves as the company watchdog, hires auditors and fields concerns from Members.

Together, we are “One Team Honda.” The essence of Honda guides every aspect of our business for today, tomorrow and into the future.

As we move forward as part of the Honda team, 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.



CARL COE, CHAIRMAN,  
Board of Directors



TERESA

Listening to our Members' needs.



# TREASURER'S 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.

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.

A handwritten signature in black ink that reads "Robert P Taylor".

ROBERT TAYLOR, 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 2018 fiscal year would support that the credit union is being managed and operated in a financially safe and sound manner.

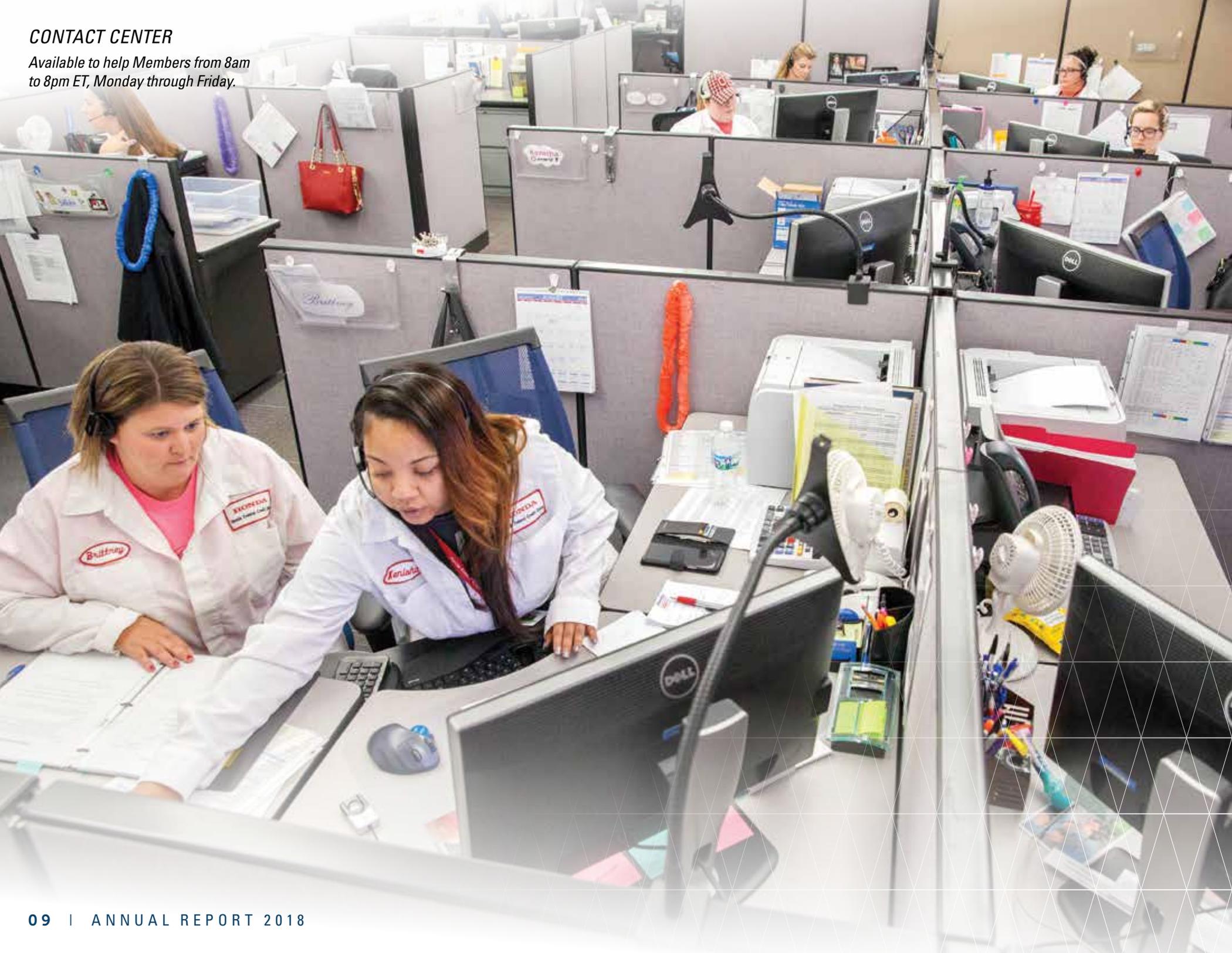
A handwritten signature in black ink that reads "John L. Kaufman".

*JOHN KAUFMAN, CHAIRMAN,  
Supervisory Committee*



## CONTACT CENTER

Available to help Members from 8am to 8pm ET, Monday through Friday.



# INDEPENDENT AUDITOR'S REPORT

## Board of Directors and Supervisory Committee

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, 2018 and 2017, and the related statements of 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.



MICHAEL E. RICHARDS, CPA

RICHARDS & ASSOCIATES

Certified Public Accountants

Yorba Linda, California

September 26, 2018



# A CLOSER LOOK AT YOUR CREDIT UNION

## STATEMENTS OF FINANCIAL CONDITION

June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$29,326,808	\$67,010,097
Investments	117,390,055	123,357,287
Loans receivable, net of allowance for loan losses	633,657,634	561,848,234
Property and equipment	8,747,143	9,802,320
Accrued interest receivable	1,617,849	1,424,379
Share insurance deposit	7,103,917	6,379,915
Foreclosed and repossessed assets	313,548	193,777
Prepaid expenses and other assets	6,474,655	6,229,741
<b>TOTAL ASSETS</b>	<b>\$804,631,609</b>	<b>\$776,245,750</b>
<b>LIABILITIES AND EQUITY</b>		
Members' share and savings accounts	\$684,101,488	\$661,939,147
Accounts payable and other liabilities	46,415,973	42,947,351
<b>TOTAL LIABILITIES</b>	<b>730,517,461</b>	<b>704,886,498</b>
Commitments and contingent liabilities	-	-
Members' equity, substantially restricted		
Appropriated (regular reserve)	8,322,208	8,322,208
Unappropriated (undivided earnings)	70,574,250	65,349,874
	<b>78,896,458</b>	<b>73,672,082</b>
Accumulated other comprehensive income	(4,782,310)	(2,312,830)
<b>TOTAL MEMBERS' EQUITY</b>	<b>74,114,148</b>	<b>71,359,252</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$804,631,609</b>	<b>\$776,245,750</b>

## STATEMENTS OF INCOME

For the years ended June 30, 2018 and 2017

	2018	2017
<b>INTEREST INCOME</b>		
Loans	\$27,271,609	\$24,098,474
Investments	2,662,198	2,537,790
<b>TOTAL INTEREST INCOME</b>	<b>29,933,807</b>	<b>26,636,264</b>
<b>INTEREST EXPENSE</b>		
Members' share and savings accounts	3,391,909	3,035,023
Borrowed funds	12,622	-
<b>TOTAL INTEREST EXPENSE</b>	<b>3,404,531</b>	<b>3,035,023</b>
<b>NET INTEREST INCOME</b>	<b>26,529,276</b>	<b>23,601,241</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>1,335,000</b>	<b>739,000</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>25,194,276</b>	<b>22,862,241</b>
<b>NON-INTEREST INCOME</b>		
Service charges and other income	11,825,685	11,053,940
Gain on sale of investments	-	568,648
<b>TOTAL NON-INTEREST INCOME</b>	<b>11,825,685</b>	<b>11,622,588</b>
<b>NON-INTEREST EXPENSE</b>		
General and administrative expenses		
Compensation and benefits	15,955,641	15,365,096
Office operations	9,783,604	9,682,350
Other expenses	6,056,340	6,656,636
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>31,795,585</b>	<b>31,704,082</b>
<b>NET INCOME</b>	<b>\$5,224,376</b>	<b>\$2,780,747</b>

## STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$5,224,376	\$2,780,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,335,000	739,000
Depreciation and amortization	3,040,482	2,823,162
Premium amortization, net of discount accretion	1,008,847	2,799,582
Gain on sale of investments	-	(568,648)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(193,470)	(11,594)
(Increase) decrease in prepaid expenses and other assets	(244,913)	270,249
Increase in share insurance deposit	(724,002)	(337,347)
Increase in accounts payable and other liabilities	3,468,621	14,388,151
Total adjustments	7,690,565	20,102,555
Net cash provided by (used in) operating activities	12,914,941	22,883,302
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans granted, net of principal collection	(73,144,400)	(65,447,304)
Net (increase) decrease in foreclosed and repossessed assets	(119,771)	(50,834)
Sale or maturing of securities	22,976,803	85,064,694
Acquisition of securities	(20,487,898)	(85,022,303)
Purchase of property and equipment, net of disposals	(1,985,305)	(2,485,797)
Net cash used in investing activities	(72,760,571)	(67,941,544)

	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in Members' share and savings accounts	\$22,162,341	\$39,239,356
Net cash provided by financing activities	22,162,341	39,239,356
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(37,683,289)	(5,818,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	67,010,097	72,828,983
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$29,326,808	\$67,010,097

### SUPPLEMENTAL DISCLOSURES:

Cash received during the year from interest on loans and investments	\$30,749,184	\$29,424,252
Cash paid during the year for dividends	\$3,391,909	\$3,035,023
Net change in unrealized loss on available-for-sale securities	\$(2,469,480)	\$(2,312,830)

## STATEMENTS OF MEMBERS' EQUITY

For the years ended June 30, 2018 and 2017

	2018	2017
<b>APPROPRIATED - REGULAR RESERVE</b>		
Beginning/Ending Balance	\$8,322,208	\$8,322,208
<b>UNAPPROPRIATED - UNDIVIDED EARNINGS</b>		
Beginning balance	65,349,874	62,569,127
Net income	5,224,376	2,780,747
Ending balance	70,574,250	65,349,874
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Beginning balance	(2,312,830)	-
Net change in unrealized loss on available-for-sale securities	(2,469,480)	(2,312,830)
Ending balance	(4,782,310)	(2,312,830)
TOTAL MEMBERS' EQUITY	\$74,114,148	\$71,359,252

## BOARD OF DIRECTORS

**Carl Coe**, Chairman  
**Allison Neumann**, Vice Chairman  
**Robert Taylor**, Treasurer  
**Steve Nicholson**, Secretary  
**Paul Brumfield**  
**Stacie Carper**  
**Bruce Garfield**  
**Charles Harmon**  
**Fred Payne**

## 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  
**Jack Imes**, 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 North Michigan Avenue Cafeteria

### OHIO

#### Anna

AEP – Anna South Entrance  
AEP – Anna West Entrance

#### Bellefontaine

200 East Sandusky Avenue (Village Pantry)  
1138 North Main Street (Village Pantry)

#### Celina

7059 Staeger Road  
(CAPT – Not available to the public)

#### East Liberty

ELP – East Liberty Cafeteria  
ELP – East Liberty Plant Entrance

#### Kenton

350 South Main Street (Village Pantry)

#### Marysville

HFCU – 17655 Echo Drive (Lobby and Drive Thru)  
HFCU – 19775 State Route 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 East Fifth Street (Downtown Marysville – Village Pantry)  
1301 West Fifth Street (Village Pantry)  
24025 Honda Parkway (Honda Heritage Hall)

#### Raymond

21001 State Route 739  
HRA – Cafeteria Entrance

#### Russells Point

HTM – Associate Entrance  
209 State Route 708 (Indian Lake Plaza)

#### St. Marys

1115 Celina Road  
(Pump and Pack Shell Station)

### NORTH CAROLINA

#### Swepsonville

3721 State Route 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: 1-205-355-5820

### TORRANCE, CA

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

### GREENSBURG, IN

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

### ANNA, OH

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

### EAST LIBERTY, OH

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

### MARYSVILLE, OH

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

### MARYSVILLE COMMUNITY, OH

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

### RUSSELLS POINT, OH

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

### TIMMONSVILLE, SC

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



**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](http://www.hondafcu.org)**