

HONDA
Federal Credit Union

2020
ANNUAL REPORT



Together, we're better.

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MESSAGE FROM THE CEO

HONDA
Federal Credit Union

Like all organizations across the country and all over the world, the COVID-19 pandemic has affected HFCU and reminds us that the road ahead isn't always paved in gold. Due to the Pandemic, we had to adopt new safety measures and protocols to ensure not only the safety of our staff, but our Members and business partners as well.

We quickly created new products and services, like the HFCU-Helping Hands Program, to make sure the needs of our members were met during a time when many were uncertain about what the next day would bring. We have been able to help thousands of our members keep and put much needed monies in their pocket by providing a skip-a-pay program, loan modifications, a Visa credit line increase and our Cash Flow Assistance Loan. Nevertheless, in this time of crisis, our road map remains the same.

We will continue to innovate our touchpoints to deepen member engagement by delivering an integrated, relevant and frictionless "Next Gen Member Experience" plan to continue to exceed our Members' expectations. This means our focus will remain on our digital banking enhancements, as well as enhancements in our lending application process and servicing. In addition, we continue to work with Honda to establish an office presence in North Carolina.

TOGETHER, WE'RE BETTER.

We also want to enhance and deepen our corporate Honda and member relationships with new payments services, including corporate and consumer card programs. We are looking to expand our payments services offerings and upgrade the chip programs to include contactless for our current debit cards. In addition, we want to create a more efficient and cost effective card program by combining our debit and credit programs with a single provider. We will be introducing Apple, Samsung and Google Pay as well.

Lastly, we need to build an organizational development plan that results in a knowledgeable and skilled leadership and staff. Leveraging our organizational strength will allow us to drive the member experience.

2020 marks 30 years that I have been with Honda Federal Credit Union. Even with all of the experience those years have provided, no two years are exactly the same and each year brings its own set of challenges. Nobody knows exactly what the road ahead will look like. However, we are not changing freeways, making detours or taking any exits. We are staying in our lane. Now more than ever, it is important for Honda Federal Credit Union to remain the constant in the lives of its staff and Members.



STEVE BRANDON
CEO
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

Never has there been a more important theme than this year's "The Road Ahead." It has been a challenging year.

As an important part of the Honda Family, HFCU works 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."

The business year just ended has been successful for HFCU, in spite of unprecedented challenges. Assets increased from \$875 million to \$1.03 billion, up 18% from last year. Loans increased from \$683 million to \$745 million, a \$62 million increase.

Cash stood at \$178 million, up \$111 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. We hope to see on-hand cash reduced in the year ahead.

Lending continues to be at the heart of what we do. At the close of the business year we had \$420 million in mortgage loans, up \$68 million from this time last year.

We served 229 members with new home loans during the year, totaling \$45 million. Additionally, we refinanced just over \$87 million in home loans for 478 members, which will save them over \$7 million in interest over the life of their loans. And we completed 148 mortgage modifications, saving members \$296,000 in closing costs.

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 provided 6,254 members with financing to purchase or refinance auto loans, totaling over \$123 million.

At the end of the year we had \$43 million in Visa loans, down about \$10 million from last year. And we had \$47 million in other lending products, up \$9 million from last year. Overall, HFCU lending was up an impressive 9% from the previous year, in spite of the twists and turns the year held.

Our loan to share ratio is at 85%, down 7% from where we were at this time last year. This is compared to an industry average of about 83%.

While we are increasing loans to members, our default rate is extremely low. At year end, our loan loss rate was a mere 0.12%. 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 2.30%.

During the year, our branches performed over 300,000 transactions; welcomed over 4,000 new members; and processed 19,584 loan applications, funding 14,730 new loans.

Additionally, our members performed over 519,000 ATM transactions last year, with the highest volumes coming from the drive-thru ATM at the Marysville Community Branch and HMA Line 1.

Our call center received 291,351 calls last year, and completed 95,700 transactions. During the introduction of our new website and app, branch offices assisted with the increased call volume. All together we received 36,000 calls during launch month, nearly double our normal volume.

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

The big item to on our agenda this year was introduction of the new mobile app and website. The management team worked diligently with Q2 of Austin, TX, to develop and introduce the new products. Q2 is an industry leader in digital banking.

The new system has some great features. Included is 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 hope you appreciate the new app and website.

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.

“The Road Ahead” 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 working for a successful and rewarding future. The essence of Honda guides every aspect of our business for today, tomorrow and into the future.

As we move forward down a new road, 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.



Handwritten signature of Carl Coe in black ink.

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

CHARLES HARMON
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 2020 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 financial statements of Honda Federal Credit Union, which comprise the statements of financial condition as of June 30, 2020 and 2019, and the related statements of income for the years then ended.

Opinion

In our opinion, the information set forth in the accompanying statements of financial condition and statements of income is fairly stated, in all material respects, in relation to the complete financial reports from which it has been derived.



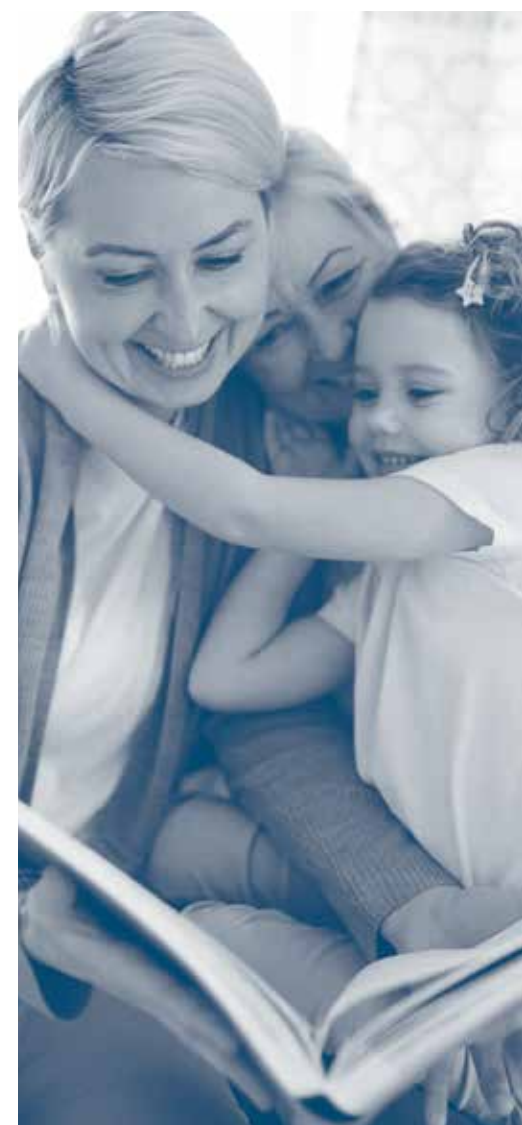
MICHAEL E. RICHARDS, CPA
RICHARDS & ASSOCIATES

Certified Public Accountants
Yorba Linda, California
September 23, 2020



STATEMENTS OF FINANCIAL CONDITION JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash and cash equivalents	\$ 179,295,285	\$ 68,007,900
Investments	75,730,705	100,450,252
Loans receivable, net of allowance for loan losses	745,168,990	683,341,943
Property & equipment	9,295,076	9,992,082
Accrued interest receivable	2,038,467	1,777,825
Share insurance deposit	7,318,292	6,914,166
Foreclosed and repossessed assets	77,978	174,859
Prepaid expenses and other assets	11,620,870	4,697,221
TOTAL ASSETS	\$ 1,030,545,663	\$ 875,356,248
LIABILITIES & EQUITY		
Members' share and savings accounts	\$ 874,184,149	\$ 742,729,870
Accounts payable and other liabilities	68,225,429	50,610,604
TOTAL LIABILITIES	\$ 942,409,578	\$ 793,340,474
Commitments and contingent liabilities		
Members' equity, substantially restricted		
Appropriated (regular reserve)	8,322,208	8,322,208
Unappropriated (undivided earnings)	78,373,271	74,696,429
	86,695,479	83,018,637
Accumulated other comprehensive income	1,440,606	(1,002,863)
TOTAL MEMBERS' EQUITY	88,136,085	82,015,774
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 1,030,545,663	\$ 875,356,248



STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Loans	\$ 34,278,452	\$ 31,504,205
Investments	2,219,309	2,697,194
TOTAL INTEREST INCOME	36,497,761	34,201,399
INTEREST EXPENSE		
Members' share and savings accounts	7,817,164	5,913,702
Borrowed funds	904	342,521
TOTAL INTEREST EXPENSE	7,818,068	6,256,223
NET INTEREST INCOME	28,679,693	27,945,176
PROVISION FOR LOAN LOSSES	1,545,000	1,380,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	27,134,693	26,565,176
NON-INTEREST INCOME		
Service charges and other income	11,867,444	12,614,080
Gain on sale of investments	70,726	-
TOTAL NON-INTEREST INCOME	11,938,170	12,614,080
NON-INTEREST EXPENSE		
General and administrative expenses		
Compensation and benefits	16,796,583	17,519,414
Office operations	10,977,976	10,715,579
Other expenses	7,621,462	6,822,088
TOTAL NON-INTEREST EXPENSES	35,396,021	35,057,081
NET INCOME	\$ 3,676,842	\$ 4,122,175

Complete financial report is available upon request.



BOARD OF DIRECTORS



Carl Coe
Chairman

Carl is currently Chairman of the Board of HFCU. Actively involved with the credit union since inception of the first Ohio Branch, he has served on the Marysville Advisory Board, the Loan Review Committee and as Chairman of the Supervisory Committee. Carl is currently assigned to Honda's Purchasing Warranty Group where his duties have ranged from department manager to managing the department's multi-million dollar budget. He has served as Marysville City Council President, Vice President of Main Street Marysville, Chairman of Public Affairs, as a member of the Marysville Environmental Commission, the county Central Committee, and on the Charter Review Board. He has received the Kiwanis Layman's Award for "outstanding contributions to his community."



Steve Nicholson
Secretary

Steve Nicholson has worked for American Honda Motor Company, Inc. for 35 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.



Stephen Roberts

Stephen Roberts has served on the board since March 2019. He is the Chief Information Security Officer at American Honda Motor Co. and is responsible for cyber-security and IT governance across North America. He joined Honda 22 years ago and has held various leadership positions in the Information Systems Division and at AHFC. Stephen received a Bachelor of Science in Electrical Engineering from Howard University, Master of Engineering (Electrical) from Cornell University, and a MBA from UCLA.



Allison Neumann
Vice Chairwoman

Allison has worked at several Honda companies over the last 28 years and most recently became an American Honda Motor Co associate. As part of the Finance Division, Allison heads up the international trade and customs area focusing on importing and exporting operations, Free Trade Agreement analysis, and regulatory compliance for general trade compliance matters. Allison has been an HFCU member since the early 1990's and has been on the Board of Directors since December 2001, serving as Nominating Committee Chair and Vice Chair. She is also involved in the Annual CUES training and the Annual Government Affairs Conference. Allison earned a Bachelor of Science Degree in Criminal Justice from Bowling Green State University in Ohio and received her Paralegal Certificate from Bentley College in Boston.



Charles Harmon
Treasurer

Charles A. Harmon, prior to his recent retirement in September of this year, worked for American Honda Motor Co., Inc. for 37 years. His Administration Division responsibilities included oversight of AHM's Corporate Procurement, Corporate Services, and supply chain Procurement Inclusion & Diversity functions. Mr. Harmon has been on the HFCU Board of Directors since 2014 where he currently serves in the capacity as Treasurer. During his tenure at AHM, Charles served on and chaired a number of boards supporting procurement and diversity & inclusion initiatives most recently as Board Chairman of the Southern California Minority Business Development Council. Mr. Harmon continues to serve on the California State University Fullerton Philanthropic Foundation Board in addition to supporting CSUF's undergraduate student mentoring programs through their Executive In Residence (EIR) program. Mr. Harmon attended California State University Fullerton and holds a Bachelor of Science in Business Management.



Stacie Carper

Stacie started her career in Human Resources in the United States Navy serving 4 years on active duty prior to joining Honda of America Manufacturing in 1995. Throughout her tenure at HAM, she has served in a number of roles within a number of Plants and Divisions allowing her to gain a broad company perspective. These roles include Accounting and Finance, Talent Management, Motorcycle Manufacturing Production Services, Associate Involvement Plant Leader at East Liberty Auto Plant and currently Team Manager for Division Human Resources. She has been a member of the credit union since joining HAM.



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 Senior 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.

BOARD OF DIRECTORS, continued.



Fred Payne

Fred was appointed by the Governor to be Commissioner of the Indiana Department of Workforce Development in 2017 after 9 years at Honda Manufacturing of Indiana, LLC. He served in a variety of leadership roles at HMIN including Chief Administrator, responsible for the Business Division, General Counsel and represented HMIN across North America on the Retirement & 401 (k) Committee and Inclusion Committee. He has served on the Honda Federal Credit Union Board of Directors as well as the Boards for the IndyEleven Foundation and Indianapolis Urban League. Fred is a graduate of the Indiana University Maurer School of Law and Grambling State University. He and his wife, Kelly, reside in Indianapolis.



Bruce Garfield

Our next director is Bruce Garfield. Bruce began his career with Honda 23 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, Alternative Fuels, Advertising and Corporate Marketing managing AHM's brand licensing for the Auto Division as well as AHM's brand guidelines and logo compliance. Currently he is in the newly formed Merchandise Licensing & Brand Dept., formerly under Honda Patents & Technologies, now part of AHM. Bruce received a Bachelor of Science in Business Administration, Marketing and Finance from Pepperdine University and legal education at Southwestern University School of Law.

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

Timmons ville

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



HONDA

Federal Credit Union

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