

OFFICE LOCATIONS

Anna Office
12500 Meranda Road
Anna, OH 45302
(937) 642-6000
FAX: (937) 498-5618

East Liberty Office
11000 S.R. 347
East Liberty, OH 43319
(937) 642-6000
FAX: (937) 644-6768

Marysville Office
19775 S.R. 739
Marysville, OH 43040
(937) 642-6000
FAX: (937) 642-5184

Torrance Office
1919 Torrance Blvd.
P.O. Box 2290
Torrance, CA 90509-2290
(310) 783-2090
FAX: (310) 783-2085

ATM LOCATIONS

California

Torrance AHM - Torrance Building 100
Torrance AHM - Torrance Building 300

Ohio

Anna HAM - Anna South Cafeteria
Anna HAM - Anna West Cafeteria
East Liberty HAM - East Liberty Cafeteria Entrance
East Liberty HAM - East Liberty Second Floor Entrance
Marysville HAM - Marysville North Cafeteria
Marysville HAM - Marysville Lobby
Marysville HAM - Marysville Drive-Up
Marysville HAM - Marysville Main Auto Entrance
Marysville HAM - Marysville South Cafeteria
Marysville HAM - Marysville Motorcycle South Entrance
Raymond HRA - Ohio Employee Entrance
Russell's Point HTM - Employee Entrance
Russell's Point Gillespie Oil Shell

North Carolina

Swepsonville HPE - North Carolina Plant

South Carolina

Timmonsville HSC



1-800-63-HONDA
www.hondafcu.org

Banking for the 21st Century



Mission Statement

Honda Federal Credit Union will,

through sound financial management

and mutual efforts within the Honda

family, provide convenient, competitive

and personalized services, which meet

and/or exceed members' primary

financial needs while ensuring the

highest member confidence.

Board of Directors

Carl R. Coe, Chairman

Jeff Replogle, Vice-Chairman

Sheri Bullock, Treasurer

Sandy Morris, Secretary

Dick Campbell

Colleen Escobar

Ted Frickel

Rick Schostek

Michael Sierawski

Supervisory Committee

Larry Sinclair, Chairman

Paul Honda

Laura Thomas

Al Vanderhorst

John Weisickle

Management Team

Jim Updike, President/CEO

Steve Brandon, COO

Gene Carey, Vice-President, Compliance

Elizabeth Lipke, Vice-President, Marketing

Jim Aley, Vice-President, Controller

Michelle Freisthler, Anna/East Liberty Office Manager

James Hahn, Information Technology Manager

Joe Mattera, Marysville Office Manager

Steve Snyder, Operations Support Manager

Bea Walker, Torrance Office Manager

Banking for the 21st Century

Chairman's Report

What an exciting time to be a member of Honda Federal Credit Union!

While the accompanying financial statements do not reflect the full eighteen months since our last report to you, I would like to share the changes that have taken place over that period.

During the course of 1998 we changed from a calendar year to a July 1 to June 30 fiscal year. This should help save on future annual auditing and planning costs.

When I first became involved with Honda FCU in December 1985, we were a relatively small organization. We offered basic savings accounts and vehicle loans. Assets totaled \$10,553,000. Loans totaled \$5,686,000. At that time we had just one office located in Torrance, CA.

The picture has dramatically changed over the past fourteen years. Total assets are now approaching \$200,000,000. Loans exceed \$130,000,000. And we are serving over 31,000 members nationwide.

We now offer a wide range of financial products to better serve our members. Included in the extensive list are the VISA Gold Card, VISA Check Card, VISA Classic Card, Audrey (telephone teller), direct deposit, real estate loans, home equity loans, IRAs, savings certificates, conveniently located ATMs, and much more.

Some of the exciting services introduced this past eighteen months include the popular Honda FCU web site at www.hondafcu.org. We were pleased to have American Honda add a link to our site in July so that you can now get to our site from the Honda Web. Introduced in January this year was our Internet Banking site, accessed through the Honda FCU web site. On-line real-time transactions provide increased access 24 hours a day, 7 days a week.

As of June 30, 2,600 members had signed up for Internet Banking and we were registering over 11,000 "hits" per month. Our web site was chosen as a positive example of effective sites in the recent publication, "Catch Members with the Net."

Other new products in 1998-1999 included the introduction of Honda Cash at Honda Transmission Manufacturing in Russell's Point, OH. HTM associates can purchase meals and food from vending machines with a simple swipe of their HTM security badge. HTM contractors, guests, and visitors can do the same with a Honda Cash Guest Card. Expansion of the program is planned in the near future at American Honda and Honda R & D Americas in Ohio.

Notable among other enhancements to our services this past eighteen months was increasing our deposit insurance to \$350,000, reopening our popular 15-year mortgage product, introducing our Premier Money Market account and expanding our DealerNet program in Ohio.

It has been a very successful eighteen months. Membership grew by 2,690 members or 9.7%. Assets grew by \$25,000,000 or 16%. During the period we closed 11,269 loans valued at \$108,700,000, a 20% net increase. As a credit union member, you are a part of this phenomenal success.

To continue to add to the value of Honda FCU membership, we are planning additional new products for the coming year. Watch for announcements on improvements to our VISA products, introduction of additional conveniently located, no-charge ATMs, and other exciting products.

It has been an honor and a privilege serving you this past year. On behalf of the Board of Directors and the entire management team, thank you for your continued confidence and most of all for being a part of the Honda FCU family.



Carl R. Coe
Chairman

Treasurer's Report

As in previous years, your Credit Union achieved the results noted in the financial statements by playing close attention to the fundamentals: managing risk effectively, managing operating leverage by matching core expense growth to core revenue growth, and managing capital in a disciplined way.

However, financial return is not the only goal of your Credit Union. The governing objective of maximizing shareholder value has been firmly established at your Credit Union. Consequently, rather than just providing favorable loan and deposit rates, your Credit Union is striving to meet the broad range of member needs seamlessly.

Your Credit Union is meeting this challenge by leveraging its financial performance, in conjunction with marketing profiles, to determine exactly what its members want, and to develop a dynamic, multi-channel distribution system.

In summary, your credit union recognizes that the diversity of its members will be reflected in the diversity of their choices, and is determined to structure an open and user-friendly system to allow for those choices.

Sheri Bullock
Treasurer

Supervisory Committee Report

In a federally chartered Credit Union, the Supervisory Committee acts as the audit body. It is the responsibility of the committee to ensure that financial results are being presented fairly and accurately. The committee must also assure the membership, Board and other interested parties that the credit union is operating with the highest ethical standards and is in compliance with all laws and regulation. These are not responsibilities we take lightly.

To assist with our efforts to effectively carry out our duties, we have retained the public accounting firm of Richards & Associates to perform detailed audits of our financial records and internal controls. Their opinion is included with this report.

It is my pleasure to recognize the efforts of the members of our Committee: Paul Honda, Jean Smith, Laura Thomas, Al Vanderhorst, and John Weisickle.

Larry Sinclair
Supervisory Committee Chairman

Statement of Financial Condition

June 30, 1999

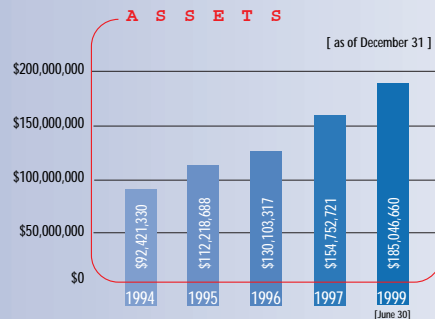
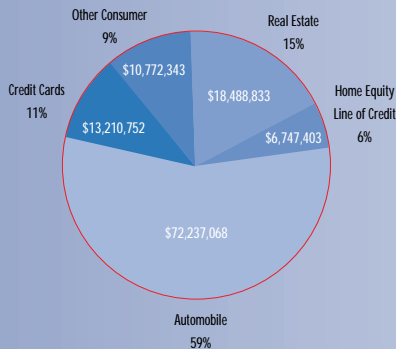
ASSETS

Cash and cash equivalents (Note 2)	\$ 23,328,266
Investments (Note 3)	25,921,143
Loans to members, net of allowance for loan losses (Note 4)	127,926,430
Property & equipment (Note 5)	2,384,183
Accrued interest receivable	495,179
Share insurance deposit	1,595,629
Other assets	3,395,830
TOTAL ASSETS	\$ 185,046,660

LIABILITIES AND EQUITY

Dividends payable	\$ 454,819
Accrued and other liabilities	6,314,268
TOTAL LIABILITIES	6,769,087
Commitments and contingent liabilities (Note 8)	--
Members' share and savings accounts (Note 6)	164,111,177
Members' equity, substantially restricted	14,166,396
TOTAL LIABILITIES AND EQUITY	\$ 185,046,660

COMPOSITION OF LOANS TO MEMBERS



Statement of Income

For the year ended June 30, 1999

INTEREST INCOME

Loans	\$ 10,059,560
Investments	2,196,259
TOTAL INTEREST INCOME	12,255,819

INTEREST EXPENSE

Members' share and savings accounts	5,286,505
Borrowed funds	7,278
TOTAL INTEREST EXPENSE	5,293,783

NET INTEREST INCOME	6,962,036
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PROVISION FOR LOAN LOSSES	259,448
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NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,702,588
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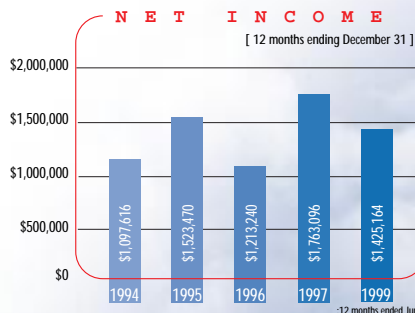
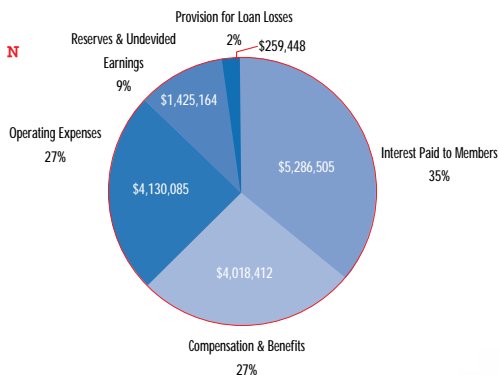
OTHER OPERATING INCOME	
Service charges and other income	2,863,795

OTHER OPERATING EXPENSES	
Compensation and benefits	4,018,412
General and administrative expenses	4,122,807

TOTAL OTHER OPERATING EXPENSES	8,141,219
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NET INCOME	\$ 1,425,164
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DISTRIBUTION OF REVENUE



Statement of Cash Flows

For the year ended June 30, 1999

Cash flows from operating activities:

Net income \$ 1,425,164

Adjustments to reconcile net income to net cash provided by operating activities:

Provision for loan losses 259,448
 Depreciation and amortization 363,490
 Accretion of discounts, net of amortization of premiums (356,939)
 Decrease in accrued interest receivable 89,457
 Increase in prepaid and deferred expenses (29,838)
 Increase in accrued expenses 204,438
 Increase in dividends payable 50,098

Total adjustments 580,154

Net cash provided by operating activities 2,005,318

Cash flows from investing activities:

Loans to members, net of principal collections (12,397,689)
 Purchase of investment securities (60,264,565)
 Maturity and principal reduction of investment securities 55,240,001
 Increase in investments in financial institutions (847,100)
 Purchase of property and equipment (264,661)
 Increase in share insurance deposit (174,408)

Net cash used by investing activities (18,708,422)

Cash flows from financing activities:

Increase in share deposits 21,365,605
 Increase in accounts receivable (2,802,095)
 Increase in accounts payable 96,863

Net cash provided by financing activities 18,660,373

Net increase in cash and cash equivalents 1,957,269

Cash and cash equivalents at beginning of year 21,370,997

Cash and cash equivalents at end of year \$ 23,328,266

SUPPLEMENTAL DISCLOSURES:

Cash received during the year from interest on loans and investments \$ 11,988,337

Cash paid during the year for dividends \$ 5,236,407

Cash paid during the year for operating expenses \$ 7,603,129

Statement of Members' Equity

For the year ended June 30, 1999

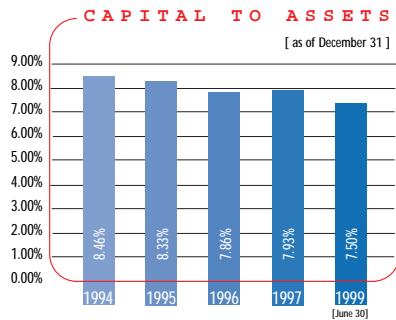
UNAPPROPRIATED - RETAINED EARNINGS

Beginning balance	\$ 8,056,218
Net income	1,425,164
Statutory transfer	(496,533)
Ending balance	\$ 8,984,849

APPROPRIATED - REGULAR RESERVE

Beginning balance	\$ 4,685,014
Statutory transfer	496,533
Ending balance	\$ 5,181,547

MEMBERS' EQUITY \$ 14,166,396





For the year ended June 30, 1999

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Honda Federal Credit Union (Credit Union) is organized under the Federal Credit Union Act. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's bylaws.

Cash equivalents: For purposes of the statements of financial condition and cash flows, the Credit Union considers investments with original maturity of three months or less to be cash equivalents.

Investments: Investments are classified in accordance with the Credit Union's asset/liability management and investment policies. The following is a description of the accounting procedures used for investments:

Available for sale: Investments that are not purchased principally to be sold in the near term nor with the positive intent and ability to hold until maturity and those without a defined maturity are marked to market, with unrealized gains or losses not affecting earnings but shown as a separate component of the equity portion of the balance sheet.

Held to maturity: Investments that are purchased with the positive intent and ability to hold until maturity are reported at amortized cost with no market adjustments.

Loans to members and allowance for loan losses: Loans to members are stated at unpaid principal balance, less an allowance for loan losses and net deferred loan origination fees. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan fees and certain direct loan-origination costs are deferred, and the net fee is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Loans are charged against the allowance when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. Management's periodic evaluation of the adequacy of the allowance is based on the Credit Union's past loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, and current economic conditions.

Accrual of interest on a loan is discontinued when management believes, after considering economics, business conditions, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off directly to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Property and Equipment: Fixed assets are carried at cost, less accumulated depreciation and amortization. Fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the terms of the related leases or their useful lives.

Share insurance deposit: Each member's share and savings account is insured up to \$100,000 by the National Credit Union Share Insurance Fund (NCUSIF). The deposit in the NCUSIF is in accordance with regulations set forth by the National Credit Union Administration (NCUA), which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares.

The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The Credit Union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the premium is waived or reduced by the NCUA Board.

Individual deposits in excess of \$100,000, subject to a maximum of \$250,000, are insured by a private insurance company, American Share Insurance Corporation.

Members' share and savings accounts: Members' shares are subordinated to all other liabilities of the Credit Union in the event of liquidation. Interest on share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Restricted members' equity: The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Income taxes: The Credit Union is exempt, by statute, from federal and state income taxes.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents, investments with original maturity of three months or less are as follows:

Cash on hand and in banks	\$ 3,900,450
Deposits in federally insured financial institutions	19,427,816
	<hr/>
	\$ 23,328,266

NOTE 3: INVESTMENTS

The carrying and estimated fair values of investments are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Common Stock, credit union service corporations	\$35,000	\$0	\$0	\$35,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$35,000	\$0	\$0	\$35,000
Held to maturity:				
Deposits in federally insured financial institutions	\$7,772,600	\$0	\$0	\$7,772,600
Federal agency securities	18,113,543	328	(54,940)	18,058,931
	<hr/>	<hr/>	<hr/>	<hr/>
	\$25,886,143	\$328	\$(54,940)	\$25,831,531

A summary of investments by contractual maturity is shown below. Expected maturity will differ from contractual maturity because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Within one year	\$15,113,543
One to five years	9,000,000
Subtotal	<hr/> 24,113,543
Investments without a defined maturity	1,807,600
	<hr/> \$25,921,143

Accrued interest receivable on investments amounted to \$162,366 at June 30, 1999.

NOTE 4: LOANS TO MEMBERS

The composition of loans to members is as follows:

Real estate	\$ 18,488,833
Home equity line of credit	6,747,403
Automobile	72,237,068
Credit cards	13,210,752
Business credit cards	6,831,763
Consumer type	10,772,343
Unamortized loan origination fees	(11,700)
	<hr/>
	128,276,462
Less: Allowance for loan losses	350,032
	<hr/>
	\$ 127,926,430

The Credit Union estimates the amount of losses that will be sustained on loans to members. The allowance for loan losses represents management's estimate of losses not yet sustained on loans currently outstanding. A summary of the activity in the allowance for loan losses is as follows:

Beginning balance	\$ 336,475
Provision for loan losses	259,448
Loans charged off	(297,459)
Recoveries from charged off loans	51,568
	<hr/>
Ending balance	\$ 350,032

Accrued interest receivable on loans amounted to \$332,813 at June 30, 1999. The credit union had non-accrual loans of approximately \$407,692 at June 30, 1999. If interest on these loans had been recognized at the original interest rates, interest income would have increased approximately \$18,079.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Building and improvements	\$ 1,820,019
Data processing equipment and software	1,486,010
Furniture, fixtures and equipment	350,698
Automated teller machines	292,952
Leasehold improvements	100,170
	<hr/>
	4,049,849
Accumulated depreciation and amortization	(1,665,666)
	<hr/>
	\$ 2,384,183

Depreciation and amortization expenses amounted to \$363,490 for the year ending June 30, 1999.

Notes - continued

NOTE 6: MEMBERS' SHARE AND SAVINGS ACCOUNTS
Share and savings accounts are summarized as follows:

Share drafts	\$ 29,264,741
Share savings	66,209,879
Other deposits	68,636,557
	\$ 164,111,177

A summary by maturity of members' share and savings accounts is as follows:

No contractual maturity	\$ 125,570,435
Within one year	30,775,717
One to five years	7,765,025
	\$ 164,111,177

Interest rates are set by the board of directors, based on an evaluation of current and future market conditions.

NOTE 7: BORROWED FUNDS

The Credit Union has a line of credit agreement with WesCorp Federal Credit Union, a corporate credit union, which permits the Credit Union to borrow up to \$50 million at an interest rate determined by the lender's board of directors. Currently, there is no outstanding balance under this agreement.

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition or results of operations of the Credit Union.

The principal commitments of the Credit Union are as follows:

Lease agreement: At June 30, 1999, the Credit Union is obligated under a non-cancelable operating lease for office space. This lease contains escalation clauses providing for increased rentals based primarily on an index described in the lease agreement. Net rent expense under this operating lease was approximately \$98,000 for the year ended June 30, 1999.

The required minimum rental payments under the terms of the lease at June 30, 1999 are as follows:

Years ending June 30,	Amount
2000	\$ 101,975
Subsequent Years	0
	\$ 101,975

A corporate facility including a branch office was constructed on a land leased from the sponsor in Marysville, Ohio. The lease agreement which calls for a nominal annual rent payment and property tax, expires on August 31, 2024.

Loan Commitments: At June 30, 1999, the Credit Union had outstanding commitments for unused lines of credit totaling \$89.5 million that are not reflected in the accompanying financial statements.

Financial Instruments With Off-Balance-Sheet Risk: The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates.

These financial instruments include commitments including home equity and unsecured lines of credit. The contractual amount of commitments to extend credit is \$89.5 million. Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates.

Since many of the commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. To minimize credit risk, the Credit Union evaluates each member's credit worthiness and uses the same policies in making commitments as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Interest rate risk associated with loan commitments is addressed in the Credit Union's asset/liability management policies.

Financial Instruments With Concentration of Credit Risk: The Credit Union's lending activity is with its members, many of whom are employees or former employees of American Honda Motor Company, Inc. and Honda of America Manufacturing, Inc., residing in California and Ohio.

A substantial portion of the investment portfolio is comprised of deposits in WesCorp Federal Credit Union. Deposits in WesCorp Federal Credit Union are insured up to \$100,000 by an agency of the federal government. Currently the deposit exceeds the insured amount by \$25 million.

NOTE 9: RELATED PARTY TRANSACTIONS

Loans to Credit Union officials were made with interest rates, terms and collateral requirements comparable to those required of other members. The aggregate amount of these loans is not significant to the financial statements. Officials of the Credit Union provide management and consulting services on a voluntary basis.

American Honda Motor Company, Inc. and Honda of America Manufacturing, Inc. provided financial support and services, including office space at reduced rates, to offset the cost of the Credit Union operation.

Employees of the Credit Union are compensated by American Honda Motor Company, Inc. and Honda of America Manufacturing, Inc. Benefits including retirement and medical insurance offered to employees of the sponsor are also provided to the Credit Union staff. The Credit Union reimburses the sponsor for these costs. Any unpaid amounts are accrued as of June 30, 1999.

NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Statement No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the credit union.

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial condition for cash and cash equivalents approximate the fair value of those instruments.

Certificates of deposits: Fair values for certificates of deposit are estimated using a discounted cash flow analysis that applies to the portfolio interest rates currently being offered on new certificates of similar amounts and remaining maturity. The carrying amount of accrued interest receivable on certificates of deposit approximates fair value.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying amount of accrued interest receivable on investment securities approximates fair value.

Loans to members, net of allowance for loan losses: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. Fair values of fixed-rate real estate loans are estimated using quoted market prices where available, or quoted market prices of comparable instruments.

The fair values for other loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. The carrying amount of accrued interest receivable approximates fair value.

Members' share and savings accounts: The fair values disclosed for demand deposits, including regular shares, share drafts, money market accounts, are by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for share certificates are estimated using a discounted cash flow analysis that applies to the portfolio interest rates currently being offered on new share certificates of similar amounts and remaining maturity. The carrying amount of accrued dividends payable approximates fair value.

Other balance sheet financial instruments: The carrying amount of other balance sheet financial instruments such as the share insurance deposit, accounts receivable and accounts payable is reasonable estimation of fair value.

Off-balance sheet financial instruments: The fair value of unused lines of credit with members is the contractual amount of these commitments. Fair values of corporate lines of credit with other financial institutions used by the credit union for short term liquidity purposes is the maximum credit limit.

The estimated fair values of the Credit Union's financial instruments at June 30, 1999 are as follows:

	Carrying Amount	Fair Value
Balance Sheet Financial Instruments:		
Financial Assets		
Cash and cash equivalents	\$ 23,328,266	\$ 23,328,266
Investments	\$ 25,921,143	\$ 25,933,338
Loans to members	\$ 127,926,430	\$ 127,748,316
Other financial instruments	\$ 5,248,704	\$ 5,248,704
Financial Liabilities		
Members' share and savings accounts	\$ 164,111,177	\$ 164,214,784
Other financial instruments	\$ 5,533,557	\$ 5,533,557
Off-Balance Sheet Financial Instruments:		
Unused lines of credits	\$ 89,565,063	\$ 89,565,063

NOTE 11: CHANGE IN ACCOUNTING PERIOD

The fiscal period for reporting purposes has been changed from December 31 to June 30.

August 6, 1999

 *Independent Auditor's Report*

Board of Directors and Supervisory
Committee
Honda Federal Credit Union
Torrance, California

We have audited the accompanying statement of financial condition of Honda Federal Credit Union as of June 30, 1999, and the related statement of income, members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Honda Federal Credit Union has presented members' shares and savings accounts as equity in the accompanying statement of financial condition that, in our opinion, should be presented as liabilities in order to conform with generally accepted accounting principles. If members' shares and savings accounts had been presented as liabilities, total liabilities would have increased by \$164,111,177 as of June 30, 1999 and total equity would have decreased by the same amount. Presentation of members' shares and savings accounts as equity has no effect on the total amount or classification of assets, cash flows or the determination of income, expenses, or net income.

In our opinion, except for the effects of not presenting members' shares and savings accounts as liabilities as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial condition of the Honda Federal Credit Union as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Respectfully,
Michael E. Richards, CPA
RICHARDS & ASSOCIATES
Certified Public Accountants