



**Farm Credit Services of Hawaii, ACA**  
Federal Land Bank Association of Hawaii, FLCA  
Hawaii Production Credit Association

P. O. Box 31306  
Honolulu, Hawaii 96820  
(808) 836-8009 Fax: (808) 836-8610

August 3, 2009

The Farm Credit System

Dear Stockholder:

It gives us great pleasure to present the financial condition of your Association for the second quarter of 2009. These second quarter 2009 statements were prepared under the oversight of the audit committee. As you are aware, the Hawaii Production Credit Association and Federal Land Bank Association of Hawaii, FLCA stockholders approved the formation of the Farm Credit Services of Hawaii, ACA effective on April 1, 2001. This report reflects operating results for the second quarter of 2009 on a consolidated basis.

Net income for the three months ended June 30, 2009 was \$210,312 compared to \$144,101 for the three months ended June 30, 2008, an increase of \$66,211. During this quarter net interest income increased from the same quarter of 2008, as lower interest income and non interest income more than offset the decrease of interest expense. Noninterest expenses this quarter increased by \$11,889 from the quarter ended June 30, 2008 from \$582,582 to \$594,471. Higher pension plan expenses accounted for a large part of this increase in operating expenses. Total assets amounted to \$76,913,762 for the second quarter of 2009, a decrease of \$799,227 from the second quarter 2008 level of \$77,712,989.

The second quarter results as of June 30, 2009 are mixed when compared to the 2009 Business Plan Goals, as earning asset volume is slightly below plan but net income is ahead of plan. Young Farmer loan volume is slightly below plan. Beginning, Small and Minority new loan volume are ahead of plan. Permanent capital ratio at 28.03% and credit quality at 99.92% remain ahead of plan. The increase of new loan activity in the second quarter of 2009 is a positive change from the last few quarters. The loan portfolio is performing well.

The October 1, 2003 merger of the Western Farm Credit Bank and the Farm Credit Bank of Wichita created U.S AgBank, FCB (AgBank) and the new U.S. AgBank District.

Please note that the U.S. AgBank, FCB will not send a copy of their quarterly report (Second Quarter 2009) to shareholders under separate cover to each shareholder of the Association. A copy of the report may be obtained free of charge by contacting our Honolulu or Hilo Office or the U.S. AgBank, FCB, P. O. Box 2940, Wichita, KS 67201-2940, telephone (800) 322-9880.

Mamoru Kaneshiro  
Chairman

Theodore M. Tokunaga, Jr.  
President

THE CUSTOMER COMES FIRST.





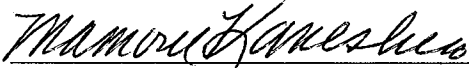
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The Farm Credit System

**CERTIFICATION OF QUARTERLY REPORT  
FOR THE QUARTER ENDED JUNE 30, 2009**

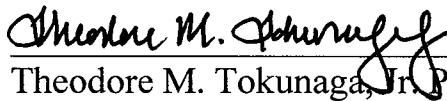
The undersigned certify that this report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.



Mamoru Kaneshiro, Chairman

08-03-09

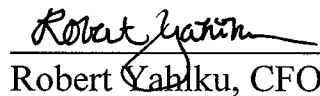
Date



Theodore M. Tokunaga, Jr. President  
CEO & Secretary

08-03-09

Date



Robert Yabiku, CFO

08-03-09

Date

THE CUSTOMER COMES FIRST.



FARM CREDIT SERVICES OF HAWAII, ACA  
CONSOLIDATED BALANCE SHEET  
(Unaudited)

	June 30		December 31	
	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>				
Cash	\$ 410,722	\$ 358,461	\$ 328,884	\$ 576,001
Investment in AgBank	2,754,720	2,754,720	2,754,720	2,754,720
Loans	73,920,568	74,856,511	74,034,350	77,508,653
Allowance for loan losses	<u>(1,225,000)</u>	<u>(1,175,000)</u>	<u>(1,195,000)</u>	<u>(1,175,000)</u>
Net loans	72,695,568	73,681,511	72,839,350	76,333,653
Accrued interest receivable	329,508	403,181	438,712	543,384
Premises and equipment, net	366,178	378,790	362,171	388,493
Other assets	<u>357,066</u>	<u>136,326</u>	<u>405,918</u>	<u>133,476</u>
Total assets	<u>\$76,913,762</u>	<u>\$77,712,989</u>	<u>\$77,129,755</u>	<u>\$80,729,727</u>
<b>LIABILITIES</b>				
Note payable to AgBank	\$56,668,753	\$57,632,961	\$56,931,886	\$60,597,884
Accrued interest payable to AgBank	63,162	151,251	116,169	245,894
Advanced conditional payments	463,833	439,398	528,718	463,753
Deferred tax liabilities	79,527	68,616	83,309	63,429
Other liabilities	<u>286,769</u>	<u>476,919</u>	<u>433,300</u>	<u>621,525</u>
Total liabilities	<u>57,562,044</u>	<u>58,769,145</u>	<u>58,093,382</u>	<u>61,992,485</u>
Commitments and contingent liabilities				
<b>MEMBERS' EQUITY</b>				
Capital stock and participation certificates	289,300	291,560	288,530	290,040
Unallocated retained earnings	19,062,418	18,652,284	18,747,843	18,447,202
Accumulated other comprehensive loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total members' equity	<u>19,351,718</u>	<u>18,943,844</u>	<u>19,036,373</u>	<u>18,737,242</u>
Total liabilities and members' equity	<u>\$76,913,762</u>	<u>\$77,712,989</u>	<u>\$77,129,755</u>	<u>\$80,729,727</u>

The accompanying notes are an integral part of these financial statements.

FARM CREDIT SERVICES OF HAWAII, ACA  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>INTEREST INCOME</b>				
Loans	\$ 1,002,070	\$ 1,120,530	\$ 2,046,044	\$ 2,423,877
<b>INTEREST EXPENSE</b>				
Note payable to AgBank	212,602	474,381	487,739	1,128,442
Advance conditional payments	<u>542</u>	<u>1,794</u>	<u>2,459</u>	<u>4,788</u>
Total interest expense	<u>213,144</u>	<u>476,175</u>	<u>490,198</u>	<u>1,133,230</u>
Net interest income	788,926	644,355	1,555,846	1,290,647
Reversal of loan losses				
Net interest income after provision for loan losses	<u>788,926</u>	<u>644,355</u>	<u>1,555,846</u>	<u>1,290,647</u>
<b>NONINTEREST INCOME</b>				
Patronage refund from AgBank	11,335	80,182	23,315	158,868
Miscellaneous	<u>3,196</u>	<u>4,010</u>	<u>18,924</u>	<u>21,481</u>
Total noninterest income	<u>14,531</u>	<u>84,192</u>	<u>42,239</u>	<u>180,349</u>
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	325,907	272,720	645,505	544,134
Occupancy and equipment	41,853	43,821	82,739	85,967
Other operating expenses	190,410	230,401	359,315	433,875
Supervisory and examination expense	8,232	8,808	16,464	17,616
Insurance Fund premium	<u>28,069</u>	<u>26,832</u>	<u>58,269</u>	<u>54,135</u>
Total noninterest expense	<u>594,471</u>	<u>582,582</u>	<u>1,162,292</u>	<u>1,135,727</u>
Income before income taxes	208,986	145,965	435,793	335,269
Provision for income taxes	<u>(1,326)</u>	<u>1,864</u>	<u>(3,782)</u>	<u>5,187</u>
Net income	<u>\$ 210,312</u>	<u>\$ 144,101</u>	<u>\$ 439,575</u>	<u>\$ 330,082</u>

The accompanying notes are an integral part of these financial statements.

FARM CREDIT SERVICES OF HAWAII, ACA  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
(Unaudited)

	<u>At-Risk Equity</u>		<u>Accumulated Other Comprehensive Income</u>	<u>Total Members' Equity</u>
	<u>Capital Stock and Participation Certificates</u>	<u>Retained Earnings Unallocated</u>		
Balance at December 31, 2007	\$ 290,040	\$18,447,202	\$ ( )	\$18,737,242
Net income		330,082		330,082
Dividends		(125,000)		( 125,000)
Capital stock and participation certificates issued	9,920			9,920
Capital stock and participation certificates retired	<u>( 8,400)</u>			<u>( 8,400)</u>
Balance at June 30, 2008	<u>\$ 291,560</u>	<u>\$18,652,284</u>	<u>\$ ( )</u>	<u>\$18,943,844</u>
Balance at December 31, 2008	\$ 288,530	\$18,747,843	\$( )	\$19,036,373
Net income		439,575		439,575
Dividends		(125,000)		( 125,000)
Capital stock and participation certificates issued	9,770			9,770
Capital stock and participation certificates retired	<u>( 9,000)</u>			<u>( 9,000)</u>
Balance at June 30, 2009	<u>\$ 289,300</u>	<u>\$19,062,418</u>	<u>\$ ( )</u>	<u>\$19,351,718</u>

The accompanying notes are an integral part of these financial statements.

FARM CREDIT SERVICES OF HAWAII, ACA  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Farm Credit Services of Hawaii, ACA and wholly-owned subsidiaries, Federal Land Bank Association of Hawaii, FLCA and Hawaii Production Credit Association, (collectively called the Association) is a member-owned cooperative that provides credit and credit related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in the counties of Honolulu, Hawaii, Maui and Kauai in the state of Hawaii.

A description of the organization and operations of the subsidiary associations, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2008, are contained in the 2008 Annual Report To Stockholders (2008 Annual Report). These unaudited second quarter 2009 consolidated financial statements should be read in conjunction with the 2008 Annual Report.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This Standard, which includes a required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009.

The accompanying consolidated financial statements prepared under the oversight of the audit committee contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations, and conform with generally accepted accounting principles and prevailing practices within the banking industry. Certain amounts in prior period's consolidated financial statements have been reclassified to conform to current financial statement presentation. The results of operations for the six months ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year.

NOTE 2. - ALLOWANCE FOR LOAN LOSSES:

An analysis of the allowance for loan losses follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Balance at beginning of quarter	\$ 1,205,000	\$ 1,175,000
(Reversal of) provision for loan losses	-	-
Charge-offs	-	-
Recoveries	20,000	-
Balance at end of quarter	<u>\$ 1,225,000</u>	<u>\$ 1,175,000</u>

FARM CREDIT SERVICES OF HAWAII, ACA  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

NOTE 3 - MEMBER'S EQUITY:

A description of the subsidiary association's capitalization requirements, capital protection mechanisms, regulatory capitalization requirements and restrictions, and equities is contained in the 2008 Annual Report to Stockholders. On February 19, 2009, the Association's Board of Directors declared a cash dividend distribution equal to 2.84% of the interest earned from borrowers payable to stockholders of record as of December 31, 2008. The total amount distributed to stockholders from unallocated retained earnings on March 31, 2009 was \$125,000.

NOTE 4 - SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 3, 2009, which is the date the financial statements were available to be issued.

The stockholder's investment in the Association is materially affected by the financial condition and the results of operation of the U.S. AgBank, FCB (AgBank). To obtain a copy of the AgBank's Second Quarter 2009 Report to Shareholders, free of charge, please contact the U.S. AgBank, Administrative Office, P.O. Box 2940, Wichita, KS 67201-2940; Telephone (800) 322-9880.