



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

The Farm Credit System

November 6, 2009

Dear Stockholder:

We present the financial condition of your Association for the third quarter of 2009. These third quarter 2009 statements were prepared under the oversight of the audit committee and reflect results on a consolidated basis the Hawaii Production Credit Association and the Federal Land Bank Association of Hawaii, FLCA, whose stockholders approved formation of the Farm Credit Services of Hawaii, ACA effective on April 1, 2001.

We present the financial results of the Farm Credit Services of Hawaii, ACA. Net income for the nine months ended September 30, 2009 was \$727,118, compared to \$438,464 for the nine months ended September 30, 2008, an increase of \$288,654. The increase in net income was due to lower funding cost and decrease in noninterest expense which collectively were sufficient to offset the decrease in interest income primarily from lower interest rates to stockholders and the lack of patronage from U.S. AgBank. Total assets at the end of the 2009 third quarter amounted to \$78,509,782, which was \$878,479 more than the 2008 third quarter level of \$77,631,303. Increased loan volume accounted for most of this increase in total assets.

The financial results as of September 30, 2009 are ahead in many areas of the 2009 Business Plan year to date goals. The areas ahead of plan are loan volume, net income, permanent capital ratio, credit quality, operating expenses and Young, Beginning, Small, and Minority farmer new loan volume. Non accrual loan volume is \$182,000 more than the 2009 Business Plan goal and is due to the transfer of a loan to non accrual status during the second quarter of 2009. There is potential to end 2009 with a positive growth in loan volume which will be an important accomplishment that we can build on going into 2010.

Effective October 1, 2003 the Western Farm Credit Bank and Farm Credit Bank of Wichita merged to form U. S. AgBank, FCB.

Please note that the U.S. AgBank, FCB will not send a copy of their quarterly report (Third 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.





**CERTIFICATION OF QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 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

Mamoru Kaneshiro, Chairman

11-06-09

Date

Theodore M. Tokunaga, Jr.

Theodore M. Tokunaga, Jr. President
CEO & Secretary

11-06-09

Date

Robert Yabiku

Robert Yabiku, CFO

11-06-09

Date

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

	September 30		December 31	
	2009	2008	2008	2007
ASSETS				
Cash	\$ 316,689	\$ 869,712	\$ 328,884	\$ 576,001
Investment in AgBank	2,754,720	2,754,720	2,754,720	2,754,720
Loans	75,656,955	74,280,440	74,034,350	77,508,653
Allowance for loan losses	<u>(1,235,000)</u>	<u>(1,175,000)</u>	<u>(1,195,000)</u>	<u>(1,175,000)</u>
Net loans	74,421,955	73,105,440	72,839,350	76,333,653
Accrued interest receivable	362,164	391,217	438,712	543,384
Premises and equipment, net	359,100	371,490	362,171	388,493
Other assets	<u>295,154</u>	<u>138,724</u>	<u>405,918</u>	<u>133,476</u>
Total assets	<u>\$78,509,782</u>	<u>\$77,631,303</u>	<u>\$77,129,755</u>	<u>\$80,729,727</u>
LIABILITIES				
Note payable to AgBank	\$57,919,561	\$57,319,162	\$56,931,886	\$60,597,884
Accrued interest payable to AgBank	65,215	146,107	116,169	245,894
Advanced conditional payments	476,868	505,012	528,718	463,753
Deferred tax liabilities	76,103	68,884	83,309	63,429
Other liabilities	<u>333,519</u>	<u>541,432</u>	<u>433,300</u>	<u>621,525</u>
Total liabilities	<u>\$8,871,266</u>	<u>\$8,580,597</u>	<u>\$8,093,382</u>	<u>\$8,992,485</u>
Commitments and contingent liabilities				
MEMBERS' EQUITY				
Capital stock and participation certificates	288,555	290,040	288,530	290,040
Unallocated retained earnings	19,349,961	18,760,666	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>19,638,516</u>	<u>19,050,706</u>	<u>19,036,373</u>	<u>18,737,242</u>
Total liabilities and members' equity	<u>\$78,509,782</u>	<u>\$77,631,303</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 September 30,		For the nine months ended September 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
INTEREST INCOME				
Loans	\$ 1,031,147	\$ 1,099,193	\$ 3,077,191	\$ 3,523,070
INTEREST EXPENSE				
Note payable to AgBank	198,187	441,258	685,926	1,569,700
Advanced conditional payments	<u>2,017</u>	<u>5,827</u>	<u>4,476</u>	<u>10,615</u>
Total interest expense	<u>200,204</u>	<u>447,085</u>	<u>690,402</u>	<u>1,580,315</u>
Net interest income	830,943	652,108	2,386,789	1,942,755
Reversal of loan losses				
Net interest income after provision for loan losses	<u>830,943</u>	<u>652,108</u>	<u>2,386,789</u>	<u>1,942,755</u>
NONINTEREST INCOME				
Patronage refund from AgBank	11,495	67,074	34,810	225,942
Miscellaneous	<u>7,259</u>	<u>6,255</u>	<u>26,183</u>	<u>27,736</u>
Total noninterest income	<u>18,754</u>	<u>73,329</u>	<u>60,993</u>	<u>253,678</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	308,076	275,257	953,581	819,391
Occupancy and equipment	39,546	50,069	122,285	136,036
Other operating expenses	180,700	257,160	540,015	691,035
Supervisory and examination expense	8,220	8,752	24,684	26,368
Insurance Fund premium	<u>29,036</u>	<u>25,549</u>	<u>87,305</u>	<u>79,684</u>
Total noninterest expense	<u>565,578</u>	<u>616,787</u>	<u>1,727,870</u>	<u>1,752,514</u>
Income before income taxes	284,119	108,650	719,912	443,919
(Benefit from) provision for income taxes	<u>(3,424)</u>	<u>268</u>	<u>(7,206)</u>	<u>5,455</u>
Net income	<u>\$ 287,543</u>	<u>\$ 108,382</u>	<u>\$ 727,118</u>	<u>\$ 438,464</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		438,464		438,464
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	15,115			15,115
Capital stock and participation certificates retired	<u>(15,115)</u>			<u>(15,115)</u>
Balance at September 30, 2008	<u>\$ 290,040</u>	<u>\$18,760,666</u>	<u>\$</u>	<u>\$19,050,706</u>
Balance at December 31, 2008	\$ 288,530	\$18,747,843	\$	\$19,036,373
Net income		727,118		727,118
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	15,770			15,770
Capital stock and participation certificates retired	<u>(15,745)</u>			<u>(15,745)</u>
Balance at September 30, 2009	<u>\$ 288,555</u>	<u>\$19,349,961</u>	<u>\$</u>	<u>\$19,638,516</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 third 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 nine months ended September 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>Sept. 30, 2009</u>	<u>Sept. 30, 2008</u>
Balance at beginning of quarter	\$ 1,225,000	\$ 1,175,000
(Reversal of) provision for loan losses	-	-
Charge -offs	-	-
Recoveries	10,000	-
Balance at end of quarter	<u>\$ 1,235,000</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 November 6, 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 Third 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.