



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

May 7, 2010

Dear Stockholder:

We present the financial condition of your Association for the first quarter of 2010. These first quarter 2010 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 first quarter of 2010 on a consolidated basis for the Farm Credit Services of Hawaii, ACA.

Net income for the three months ended March 31, 2010 was \$413,930 compared to \$229,263 for the three months ended March 31, 2009 an increase of \$184,667. The increase in net income was due to lower interest expense, patronage from U.S. AgBank and Farm Credit System Insurance premium refund. Total assets amounted to \$82,114,793 for the first quarter of 2010 an increase of \$5,667,379 from the first quarter 2009 level of \$76,447,414. Members equity as of March 31, 2010 was \$20,088,301 an increase of \$947,530 over the March 31, 2009 level of \$19,140,771.

The first quarter results as of March 31, 2010 when compared to the Business Plan Goals show that earning asset volume, credit quality, operating expenses, net income and permanent capital are ahead of plan. On the other hand, young farmer new loan goal is behind plan. New loan activity for the first quarter of 2010 has been good and is ahead of plan. The loan portfolio is performing well as credit quality is holding at 98.86% (loans classified as Acceptable or OAEM).

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 (First Quarter 2010) 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

Robert Yahiku
CFO

THE CUSTOMER COMES FIRST.





**CERTIFICATION OF QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2010**

The undersigned certify their review of this report which 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

05-07-10

Date

Theodore M. Tokunaga, Jr.

Theodore M. Tokunaga, Jr. President
CEO & Secretary

05-07-10

Date

Robert Yahiku

Robert Yahiku, CFO

05-07-10

Date

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

	March 31		December 31	
	<u>2010</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>
ASSETS				
Cash	\$ 660,859	\$ 421,340	\$ 421,844	\$ 328,884
Investment in AgBank	2,754,720	2,754,720	2,754,720	2,754,720
Loans	78,813,013	73,409,674	77,213,467	74,034,350
Allowance for loan losses	<u>(1,265,000)</u>	<u>(1,205,000)</u>	<u>(1,255,000)</u>	<u>(1,195,000)</u>
Net loans	77,548,013	72,204,674	75,958,467	72,839,350
Accrued interest receivable	434,534	357,641	386,435	438,712
Premises and equipment, net	360,755	352,118	367,428	362,171
Other assets	<u>355,912</u>	<u>356,921</u>	<u>343,209</u>	<u>405,918</u>
Total assets	<u>\$82,114,793</u>	<u>\$76,447,414</u>	<u>\$ 80,232,103</u>	<u>\$77,129,755</u>
LIABILITIES				
Note payable to AgBank	\$ 61,252,122	\$56,353,505	\$59,417,081	\$56,931,886
Accrued interest payable to AgBank	67,104	84,654	63,587	116,169
Advanced conditional payments	398,490	475,968	471,168	528,718
Deferred tax liabilities	70,976	80,853	74,415	83,309
Other liabilities	<u>237,800</u>	<u>311,663</u>	<u>412,361</u>	<u>433,300</u>
Total liabilities	<u>62,026,492</u>	<u>57,306,643</u>	<u>60,438,612</u>	<u>58,093,382</u>
Commitments and contingent liabilities				
MEMBERS' EQUITY				
Capital stock and participation certificates	297,235	288,665	291,355	288,530
Unallocated retained earnings	19,791,066	18,852,106	19,502,136	18,747,843
Accumulated other comprehensive loss				
Total members' equity	<u>20,088,301</u>	<u>19,140,771</u>	<u>19,793,491</u>	<u>19,036,373</u>
Total liabilities and members' equity	<u>\$82,114,793</u>	<u>\$76,447,414</u>	<u>\$ 80,232,103</u>	<u>\$77,129,755</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 March 31,	
	2010	2009
INTEREST INCOME		
Loans	\$ 1,061,442	\$ 1,043,974
INTEREST EXPENSE		
Note payable to AgBank	203,837	275,136
Advance conditional payments	<u>1,494</u>	<u>1,918</u>
Total interest expense	<u>205,331</u>	<u>277,054</u>
Net interest income	856,111	766,920
Reversal of loan losses	<u>856,111</u>	<u>766,920</u>
Net interest income after provision for loan losses	<u>856,111</u>	<u>766,920</u>
NONINTEREST INCOME		
Patronage refund from AgBank	37,048	11,980
Miscellaneous	<u>89,783</u>	<u>15,728</u>
Total noninterest income	<u>126,831</u>	<u>27,708</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	317,539	319,598
Occupancy and equipment	38,493	40,886
Other operating expenses	191,479	168,905
Supervisory and examination expense	8,103	8,232
Insurance Fund premium	<u>16,837</u>	<u>30,200</u>
Total noninterest expense	<u>572,451</u>	<u>567,821</u>
Income before income taxes	410,492	226,807
Provision for income taxes	<u>3,439</u>	<u>2,456</u>
Net income	<u>\$ 413,930</u>	<u>\$ 229,263</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, 2008	\$ 288,530	\$18,747,843	\$ (-)	\$19,036,373
Net income		229,263		229,263
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	3,135			3,135
Capital stock and participation certificates retired	<u>(3,000)</u>			<u>(3,000)</u>
Balance at March 31, 2009	<u>\$ 288,665</u>	<u>\$18,852,106</u>	<u>\$ (-)</u>	<u>\$19,140,771</u>
Balance at December 31, 2009	\$ 291,355	\$19,502,136	\$ (-)	\$19,793,491
Net income		413,930		413,930
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	8,180			8,180
Capital stock and participation certificates retired	<u>(2,300)</u>			<u>(2,300)</u>
Balance at March 31, 2010	<u>\$ 297,235</u>	<u>\$19,791,066</u>	<u>\$ (-)</u>	<u>\$20,088,301</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, 2009, are contained in the 2009 Annual Report To Stockholders (2009 Annual Report). These unaudited first quarter 2010 consolidated financial statements should be read in conjunction with the 2009 Annual Report.

Effective January 1, 2010, the Association adopted Financial Accounting Standards Board (FASB) guidance on "Fair Value Measurements and Disclosures," which is to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on the Association's financial condition and results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by improving the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets.

This guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The Association reviewed its loan participation agreements to ensure that participations would meet the requirements for sales treatment and not be required to be consolidated. The impact of adoption on January 1, 2010 was immaterial to the Association's financial condition and results of operations.

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

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 three months ended March 31, 2010, 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>March 31, 2010</u>	<u>March 31, 2009</u>
Balance at beginning of quarter	\$ 1,255,000	\$ 1,195,000
(Reversal of) provision for loan losses	-	-
Charge-offs	-	-
Recoveries	<u>10,000</u>	<u>10,000</u>
Balance at end of quarter	<u>\$ 1,265,000</u>	<u>\$ 1,205,000</u>

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 2009 Annual Report to Stockholders. On February 18, 2010 the Association's Board of Directors declared a cash dividend distribution equal to 3.15% of the interest earned from borrowers payable to stockholders of record as of December 31, 2009. The total amount distributed to stockholders from unallocated retained earnings on March 31, 2010 was \$125,000.

NOTE 4 - SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 7, 2010, 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 First Quarter 2010 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.