



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 7, 2011


Dear Stockholder:

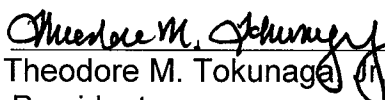
We present the financial condition of your Association for the third quarter of 2011. These third quarter 2011 statements were prepared under the oversight of the audit committee and reflect results on a consolidated basis the Hawaii Production Credit Association and the Federal Land Bank Association of Hawaii, FLCA, whose stockholders approved formation of the Farm Credit Services of Hawaii, ACA effective on April 1, 2001.

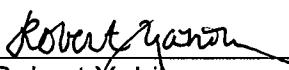
We present the financial results of the Farm Credit Services of Hawaii, ACA. Net income for the nine months ended September 30, 2011 was \$1,060,539, compared to \$1,003,220 for the nine months ended September 30, 2010, an increase of \$57,319. The increase in net income was largely due to decrease in interest expense, increase in patronage refund from U.S. AgBank, and decrease in salaries and employee benefits. Decrease in loan volume negatively impacted net income but not enough to offset the positive effects of the above discussed items. Total assets as of September 30, 2011 amounted to \$77,290,968, which is a decrease of \$3,206,200 from the 2010 third quarter level of \$80,497,168. Decrease in loan volume is due to pay off of several large loans and acquisition of one loan. General slowdown in the world economy has impacted land values and demand in a negative manner. The Association's loan portfolio may be showing the impact of a slowdown in the world economy.

The financial results as of September 30, 2011 are ahead in many areas of the 2011 Business Plan year to date goals. The areas ahead of plan are net income, permanent capital ratio, credit quality and Beginning, and Small farmer new loan volume. Goals behind plan are outstanding loan volume, nonaccrual loan volume and Young loan volume. The Board lowered outstanding loan volume goal for 2011 at the July 21, 2011 regular board meeting due to low new loan activity after six months of operation. 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 2011) 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.


Wendell Koga
Chairman


Theodore M. Tokunaga
President


Robert Kahiku
CFO

THE CUSTOMER COMES FIRST.





**CERTIFICATION OF QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

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.

Wendell J. Koga
Wendell Koga, Chairman

11-07-11
Date

Theodore M. Tokunaga Jr.
Theodore M. Tokunaga Jr. President
CEO & Secretary

11-07-11
Date

Robert Yabiku
Robert Yabiku, CFO

11-07-11
Date

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

	September 30		December 31	
	2011	2010	2010	2009
ASSETS				
Cash	\$ 399,016	\$ 484,362	\$ 591,247	\$ 421,844
Investment in AgBank	2,754,720	2,754,720	2,754,720	2,754,720
Loans	74,145,635	77,704,599	78,210,487	77,213,467
Allowance for loan losses	<u>(1,494,610)</u>	<u>(1,465,000)</u>	<u>(1,505,000)</u>	<u>(1,255,000)</u>
Net loans	72,651,025	76,239,599	76,705,487	75,958,467
Accrued interest receivable	360,547	398,052	376,334	386,435
Other property owned	485,510			
Premises and equipment, net	409,930	355,947	402,290	367,428
Other assets	<u>230,220</u>	<u>264,488</u>	<u>295,177</u>	<u>343,209</u>
Total assets	<u>\$77,290,968</u>	<u>\$80,497,168</u>	<u>\$81,125,255</u>	<u>\$80,232,103</u>
LIABILITIES				
Note payable to AgBank	\$ 54,819,038	\$ 59,051,751	\$59,522,856	\$59,417,081
Accrued interest payable to AgBank	39,752	61,894	52,703	63,587
Advanced conditional payments	374,765	355,708	354,961	471,168
Deferred tax liabilities	49,903	64,117	60,311	74,415
Other liabilities	<u>310,927</u>	<u>289,652</u>	<u>374,180</u>	<u>412,361</u>
Total liabilities	<u>55,594,385</u>	<u>59,823,122</u>	<u>60,365,011</u>	<u>60,438,612</u>
Commitments and contingent liabilities				
MEMBERS' EQUITY				
Capital stock and participation certificates	293,705	293,690	292,905	291,355
Unallocated retained earnings	21,402,878	20,380,356	20,467,339	19,502,136
Accumulated other comprehensive loss				
Total members' equity	<u>21,696,583</u>	<u>20,674,046</u>	<u>20,760,244</u>	<u>19,793,491</u>
Total liabilities and members' equity	<u>\$77,290,968</u>	<u>\$80,497,168</u>	<u>\$81,125,255</u>	<u>\$80,232,103</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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
INTEREST INCOME				
Loans	\$ 966,843	\$ 1,140,009	\$ 2,915,813	\$ 3,264,295
INTEREST EXPENSE				
Note payable to AgBank	120,964	188,010	398,900	589,992
Advance conditional payments	<u>1,099</u>	<u>1,259</u>	<u>3,645</u>	<u>4,075</u>
Total interest expense	<u>122,063</u>	<u>189,269</u>	<u>402,545</u>	<u>594,067</u>
Net interest income	844,780	950,740	2,513,268	2,670,228
Provision for loan losses		114,423	50,000	114,423
Net interest income after provision for loan losses	<u>844,780</u>	<u>836,317</u>	<u>2,463,268</u>	<u>2,555,805</u>
NONINTEREST INCOME				
Patronage refund from AgBank			315,765	37,048
Miscellaneous	<u>8,206</u>	<u>48,443</u>	<u>23,579</u>	<u>139,367</u>
Total noninterest income	<u>8,206</u>	<u>48,443</u>	<u>339,344</u>	<u>176,415</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	300,951	309,336	907,803	946,220
Occupancy and equipment	47,511	45,890	130,428	128,988
Other operating expenses	224,490	203,312	658,822	615,708
Supervisory and examination expense	8,950	8,189	26,840	24,395
Expenses on other property owned (net)	128		3,347	
Insurance Fund premium	<u>7,825</u>	<u>7,918</u>	<u>25,241</u>	<u>23,987</u>
Total noninterest expense	<u>589,855</u>	<u>574,645</u>	<u>1,752,481</u>	<u>1,739,298</u>
Income before income taxes	263,131	310,115	1,050,131	992,922
Benefit from income taxes	<u>4,592</u>	<u>4,328</u>	<u>10,408</u>	<u>10,298</u>
Net income	<u>\$ 267,723</u>	<u>\$ 314,443</u>	<u>\$ 1,060,539</u>	<u>\$ 1,003,220</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, 2009	\$ 291,355	\$19,502,136	\$	\$19,793,491
Net income		1,003,220		1,003,220
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	17,635			17,635
Capital stock and participation certificates retired	<u>(15,300)</u>			<u>(15,300)</u>
Balance at September 30, 2010	<u>\$ 293,690</u>	<u>\$20,380,356</u>	<u>\$ -</u>	<u>\$20,674,046</u>
Balance at December 31, 2010	\$ 292,905	\$20,467,339	\$	\$20,760,244
Net income		1,060,539		1,060,539
Dividends		(125,000)		(125,000)
Capital stock and participation certificates issued	15,000			15,000
Capital stock and participation certificates retired	<u>(14,200)</u>			<u>(14,200)</u>
Balance at September 30, 2011	<u>\$ 293,705</u>	<u>\$21,402,878</u>	<u>\$ -</u>	<u>\$21,696,583</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, 2010, are contained in the 2010 Annual Report To Stockholders (2010 Annual Report). These unaudited third quarter 2011 consolidated financial statements should be read in conjunction with the 2010 Annual Report.

In December 2010, U.S. AgBank, FCB (AgBank), the Association's funding bank and CoBank executed a Letter of Intent to merge. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado but will maintain AgBank's existing presence and operations in Wichita, Kansas, and Sacramento, California. In June 2011, the Farm Credit Administration (FCA) voted to grant preliminary approval of the proposed plan of merger between the two banks. The FCA serves as the independent regulator for both banks and the rest of the Farm Credit System. AgBank distributed disclosure and voting materials to its stockholder associations in July, with completed merger ballots due to be returned by September 7, 2011. The boards of the two banks have approved a merger effective date of January 1, 2012. The Association does not expect there to be any material negative impact to its operations as a result of the merger.

In May 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Fair Value Measurement – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities.)
2. Aligning the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets.
3. Clarifying that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy.
4. An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks.

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

5. Clarifying that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance.
6. Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed.

The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted.

In January 2011, the FASB issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

In April 2011, the FASB issued its guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a TDR. In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For nonpublic entities, the guidance is effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Association is currently evaluating the impact of adoption of this Standard on the financial condition or results of operations. The adoption will result in additional disclosures.

In July 2010, the Financial Accounting Standards Board (FASB) issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses," which is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of the allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis (by portfolio segment and class of financing receivable) including among others, a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the method of

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

impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables by class, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. The disclosures are effective for interim and annual reporting periods ending on or after December 15, 2010 for public entities, and year-end 2011 (first quarter 2012 for activity level disclosures) for non-public entities. The adoption of this Standard should have no impact on the Association's financial condition or results of operations, but will result in additional disclosures. As a non-public entity, the Association intends to add the additional disclosures beginning with the 2011 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 changes will provide for a greater level of disaggregated information and more robust disclosures of valuation techniques and inputs to fair value measurements. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this standard did not impact the Association's financial condition and results of operations but did result in additional disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan and postretirement benefits other than pensions, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2012 for non-public entities. The amendments should be applied retrospectively for all prior periods presented.

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, 2011, are not necessarily indicative of the results to be expected for the full year.

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

NOTE 2. - ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	<u>Sept. 30, 2011</u>	<u>Sept. 30, 2010</u>
Balance at beginning of quarter	\$ 1,494,610	\$ 1,285,000
Provision for loan losses	-	114,423
Charge-offs	-	-
Recoveries	-	65,577
Balance at end of quarter	<u>\$ 1,494,610</u>	<u>\$ 1,465,000</u>

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. Impaired loans including accrued interest totaled \$681,108 as of September 30, 2011 and \$1,179,702 as of September 30, 2010. No impaired loans carried a specific allowance for loan losses at each period end. The following table summarizes impaired loan information for the nine months ended:

	<u>Sept. 30, 2011</u>	<u>Sept. 30, 2010</u>
Average impaired loans	\$ 689,676	\$ 1,171,483
Interest income recognized on impaired loans	\$ 5,064	15,073

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 2010 Annual Report to Stockholders. On February 16, 2011, the Association's Board of Directors declared a cash dividend distribution equal to 3.11% of the interest earned from borrowers payable to stockholders of record as of December 31, 2010. The total amount distributed to stockholders from unallocated retained earnings on March 31, 2011 was \$125,000.

NOTE 4 - FAIR VALUE MEASUREMENTS

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. The Association has other property owned measured at fair value on a non-recurring basis of \$550,000 at September 30, 2011. The Association had no other property owned at December 31, 2010. There were no gains/losses recorded at September 30, 2011 and December 31, 2010.

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

Valuation Techniques

The FASB established a fair value hierarchy (Levels 1, 2, 3), which requires an entity to maximize the use of observable inputs and minimize the use of unobservable input when measuring fair value. Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. As a result, these fair value measurements fall within Level 3 of the hierarchy. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 7, 2011, 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 2011 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.