

FIRST QUARTER 2006

Management's Discussion and Analysis of
Financial Condition and Results of Operations.....2

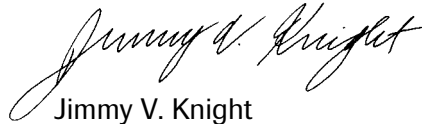
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Jimmy V. Knight
Chief Executive Officer


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Chairman of the Board

April 28, 2006

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Southwest Florida, ACA (the Association) for the period ended March 31, 2006. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2005 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including citrus and cattle. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2006, was \$281,482, an increase of \$4,864 as compared to \$276,618 at December 31, 2005. Net loans outstanding at March 31, 2006, were \$281,231 as compared to \$276,435 at December 31, 2005. Net loans accounted for 91.98 percent of total assets at March 31, 2006, as compared to 95.09 percent of total assets at December 31, 2005. The increase in gross and net loan volume during the reporting period is attributed primarily to increased loan activity in the Capital Markets Lending Unit from loans purchased and sold to and from other Farm Credit institutions.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. There is no non-accrual loan volume to report for the first quarter ending March 31, 2006.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2006, was \$251 compared to \$183 at December 31, 2005, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2006

Net income for the three months ended March 31, 2006, totaled \$1,627, as compared to \$1,165 for the same period in 2005. Net interest income increased \$419 for the three months ended March 31, 2006, as compared to the same period in 2005.

Non-interest income for the three months ended March 31, 2006, totaled \$1,256, as compared to \$813 for the same period of 2005, an increase of \$442. The increase is primarily due to accrued earnings for patronage from other Farm Credit Institutions and AgFirst Farm Credit Bank. Non-interest expense for the three months ended March 31, 2006, increased \$307 compared to the same period of 2005. The increase is due to the approved controllable operating costs associated with the normal course of business and increased Farm Credit System Insurance Corp premiums from previous year.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2006, was \$246,248 as compared to \$233,259 at December 31, 2005.

CAPITAL RESOURCES

Total members' equity at March 31, 2006, increased to \$52,933 from the December 31, 2005, total of \$51,767. The increase is primarily attributed to first quarter's earnings.

Total capital stock and participation certificates were \$1,277 on March 31, 2006, compared to \$1,278 on December 31, 2005. This decrease is attributed to protected borrower's equity that has been retired in the normal course of business.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2006, the Association's total surplus ratio and core surplus ratio were 17.61 percent and 13.74 percent, respectively, and the permanent capital ratio was 18.11 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 378, or writing Jay Wise, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-307-5677 ext. 141, or writing: Lori Langfang, Controller, Farm Credit of Southwest Florida, ACA 330 N. Brevard Ave 34266, or accessing the website, www.farmcreditswfl.com. The Association prepares a quarterly report within 45 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Southwest Florida, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2006 <i>(unaudited)</i>	December 31, 2005 <i>(audited)</i>
Assets		
Cash	\$ 234	\$ 466
Investment securities, held to maturity	11,400	—
Loans	281,483	276,618
Less: allowance for loan losses	251	183
Net loans	281,232	276,435
Accrued interest receivable	2,860	1,494
Investment in other Farm Credit institutions	4,810	4,638
Premises and equipment, net	987	938
Prepaid retirement expense	2,577	2,673
Due from AgFirst Farm Credit Bank	—	3,179
Other assets	1,652	876
Total assets	<u>\$ 305,752</u>	<u>\$ 290,699</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 246,248	\$ 233,259
Accrued interest payable	1,183	1,038
Patronage refund payable	85	1,724
Other liabilities	5,303	2,912
Total liabilities	<u>252,819</u>	<u>238,933</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	608	622
Capital stock and participation certificates	669	656
Retained earnings		
Allocated	26,110	25,257
Unallocated	25,546	25,231
Total members' equity	<u>52,933</u>	<u>51,766</u>
Total liabilities and members' equity	<u>\$ 305,752</u>	<u>\$ 290,699</u>

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

Farm Credit of Southwest Florida, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2006	2005
Interest Income		
Loans	\$ 5,184	\$ 3,511
Investment securities	65	—
Total Interest Income	5,249	3,511
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,279	1,961
Net interest income	1,970	1,550
Provision for (reversal of allowance for) loan losses	67	(20)
Net interest income after provision for (reversal of allowance for) loan losses	1,903	1,570
Noninterest Income		
Loan fees	101	78
Equity in earnings of other Farm Credit institutions	1,115	709
Gains (losses) on other property owned, net	2	2
Other noninterest income	38	25
Total noninterest income	1,256	814
Noninterest Expense		
Salaries and employee benefits	921	797
Occupancy and equipment	89	78
Insurance Fund premium	95	23
Other operating expenses	421	320
Total noninterest expense	1,526	1,218
Income before income taxes	1,633	1,166
Provision (benefit) for income taxes	6	1
Net income	\$ 1,627	\$ 1,165

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

Farm Credit of Southwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)

	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
			Allocated	Unallocated	
Balance at December 31, 2004	\$ 936	\$ 666	\$ 25,445	\$ 23,093	\$ 50,140
Net income				1,165	1,165
Protected borrower equity retired	(144)				(144)
Capital stock/participation certificates issued		18			18
Distribution adjustment			60	(92)	(32)
Balance at March 31, 2005	\$ 792	\$ 684	\$ 25,505	\$ 24,166	\$ 51,147
Balance at December 31, 2005	\$ 622	\$ 656	\$ 25,257	\$ 25,231	\$ 51,766
Net income				1,627	1,627
Protected borrower equity retired	(14)				(14)
Capital stock/participation certificates issued		14			14
Capital stock/participation certificates retired		(1)			(1)
Distribution adjustment			853	(1,312)	(459)
Balance at March 31, 2006	\$ 608	\$ 669	\$ 26,110	\$ 25,546	\$ 52,933

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

Farm Credit of Southwest Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Southwest Florida, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2005, are contained in the 2005 Annual Report to Shareholders. These unaudited first quarter 2006 consolidated financial statements should be read in conjunction with the 2005 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles. The results for the three months ended March 31, 2006, are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

Certain amounts in prior period consolidated financial statements have been reclassified to conform to current consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with generally accepted accounting principles. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2006, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Investment Securities: The Association, as permitted under the FCA regulations, holds investments for purposes of maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk. The Association's investments are classified as held to maturity and accordingly have been reported at amortized cost. Purchased premiums and discounts are amortized or accreted using the effective interest method over the term of the respective security.

The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or permanent. In the event of permanent impairment, the cost basis of the investment would be written down to its fair value, and the realized loss would be included in current earnings.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

Balance at 12-31-04	\$ 337
(Reversal of) provision for loan losses	(20)
Loans (charged off), net of recoveries	<u>(3)</u>
Balance at 3-31-05	<u>\$ 314</u>
Balance at 12-31-05	\$ 183
(Reversal of) provision for loan losses	67
Recoveries, net of loans charged off	<u>1</u>
Balance at 3-31-06	<u>\$ 251</u>

NOTE 3 – EMPLOYEE BENEFIT PLANS

The Association participates in a Districtwide defined benefit retirement plan. The costs of the plan are not segregated by participating entities but are allocated among the participating entities. Pension costs are allocated by multiplying the District's net pension expense times each institution's salary expense as a percentage of the District's salary expense. The Association also participates in Districtwide Thrift and other postretirement benefit plans.

The following is a table of retirement and postretirement benefit expense for the three months ended March 31, 2006:

	For the three months ended March 31,	
	2006	2005
Pension	\$ 96	\$ 88
Thrift/deferred compensation	16	13
Other postretirement benefits	<u>20</u>	<u>41</u>
Total	<u>\$ 132</u>	<u>\$ 142</u>

As of March 31, 2006, no contributions have been made to the pension plan for 2006. Actuarial projections as of the last plan measurement date (September 30, 2005) did not anticipate any contributions for 2006; however, market conditions could impact discount rates and return on plan assets which could change this expectation, making contributions necessary before the next plan measurement date.