

SECOND QUARTER 2007

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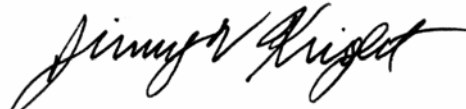
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Jimmy V. Knight
Chief Executive Officer



William G. Welles, IV
Chairman of the Board

July 27, 2007

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 for the period ended June 30, 2007. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. These comments should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and the 2006 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, sugar 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 June 30, 2007, was \$217,861 a decrease of \$1,738 as compared to \$219,599 at December 31, 2006. Net loans outstanding at June 30, 2007, were \$217,713 as compared to \$219,413 at December 31, 2006. Net loans accounted for 79.68 percent of total assets at June 30, 2007, as compared to 79.53 percent of total assets at December 31, 2006. Decreases in gross and net loan volume during the reporting period are due to the selling of participation loans to AgFirst Farm Credit Bank. Loans originated (principal outstanding) by the association increased 9 percent at June 30, 2007 from \$775,830 compared to \$712,701 at December 31, 2006.

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. Non-accrual loan volume for the Association as of June 30, 2007 was \$2,154 compared to \$27 at December 31, 2006. The increase of 77.73 percent is primarily due to one large participation loan that is currently under a restructure plan and is currently performing.

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 June 30, 2007, was \$218 compared to \$219 at December 31, 2006, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended June 30, 2007

Net income for the three months ended June 30, 2007, totaled \$2,142, as compared to \$1,864 for the same period in 2006. Net interest income decreased \$308 for the three months ended June 30, 2007, as compared to the same period in 2006.

Non-interest income for the three months ended June 30, 2007, totaled \$2,273, as compared to \$1,509 for the same period of 2006, an increase of \$765. 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 June 30, 2007, increased \$209 compared to the same period of 2006. The increase is due to board approved controllable operating costs associated with the normal course of business.

For the six months ended June 30, 2007

Net income for the six months ended June 30, 2007, totaled \$3,949, as compared to \$3,491 for the same period in 2006, an increase of \$457 over prior year or 13.12 percent. At June 30, 2007, net interest income decreased by \$693 or 18.42 percent as compared to June 30, 2006.

Non-interest income for the six months ended June 30, 2007, totaled \$4,201, as compared to \$2,765 for the same period of 2006, an increase of \$1,437. The increase is primarily the result of Patronage based income from other Farm Credit Institutions from Participations purchased and sold. Non-interest expense for the six months ended June 30, 2007, increased \$399 compared to the same period of 2006. The primary reasons for the increase in non-interest expense, is attributed primarily to an increase in non-controllable insurance premiums from the Farm Credit Insurance Corp and an overall approved increase in total operating expenses.

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 June 30, 2007, was \$218,156 as compared to \$217,032 at December 31, 2006.

CAPITAL RESOURCES

Total members' equity at June 30, 2007, decreased to \$49,995 from the December 31, 2006, total of \$51,759. The decrease is primarily attributed to the change in the allocated equities revolvment cycle.

Total capital stock and participation certificates were \$1,039 on June 30, 2007, compared to \$1,102 on December 31, 2006. 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 June 30, 2007, the Association's total surplus ratio and core surplus ratio were 15.61 percent and 12.18 percent, respectively, and the permanent capital ratio was 16.00 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 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>	June 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
Assets		
Cash	\$ 31	\$ —
Investment securities, held to maturity	33,840	32,202
Loans	217,861	219,599
Less: allowance for loan losses	148	187
Net loans	217,713	219,412
Accrued interest receivable	2,778	3,191
Investment in other Farm Credit institutions	10,617	12,209
Premises and equipment, net	1,045	984
Prepaid retirement expense	2,132	2,292
Due from AgFirst Farm Credit Bank	2,258	3,641
Other assets	2,834	1,942
Total assets	\$ 273,248	\$ 275,873
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 218,156	\$ 217,032
Accrued interest payable	1,154	1,117
Patronage refund payable	13	2,516
Other liabilities	3,930	3,449
Total liabilities	223,253	224,114
Commitments and contingencies		
Members' Equity		
Protected borrower equity	499	508
Capital stock and participation certificates	540	601
Retained earnings		
Allocated	21,864	25,779
Unallocated	27,092	24,871
Total members' equity	49,995	51,759
Total liabilities and members' equity	\$ 273,248	\$ 275,873

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 June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Interest Income				
Loans	\$ 4,387	\$ 5,308	\$ 8,753	\$ 10,492
Investment securities	455	200	874	265
Total Interest Income	4,842	5,508	9,627	10,757
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	3,356	3,714	6,557	6,993
Net interest income	1,486	1,794	3,070	3,764
Provision for (reversal of allowance for) loan losses	(17)	7	(53)	74
Net interest income after provision for (reversal of allowance for) loan losses	1,503	1,787	3,123	3,690
Noninterest Income				
Loan fees	81	205	261	306
Equity in earnings of other Farm Credit institutions	2,054	1,219	3,751	2,334
Gains (losses) on other property owned, net	2	1	3	3
Other noninterest income	136	84	186	122
Total noninterest income	2,273	1,509	4,201	2,765
Noninterest Expense				
Salaries and employee benefits	1,016	868	2,074	1,789
Occupancy and equipment	92	95	200	184
Insurance Fund premium	82	96	160	191
Other operating expenses	444	367	916	788
Total noninterest expense	1,634	1,426	3,350	2,952
Income before income taxes	2,142	1,870	3,974	3,503
Provision (benefit) for income taxes	—	6	25	12
Net income	\$ 2,142	\$ 1,864	\$ 3,949	\$ 3,491

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, 2005	\$ 622	\$ 656	\$ 25,257	\$ 25,231	\$ 51,766
Net income				3,491	3,491
Protected borrower equity retired	(86)				(86)
Capital stock/participation certificates issued		39			39
Capital stock/participation certificates retired		(129)			(129)
Retained earnings retired			(4,995)		(4,995)
Distribution adjustment			852	(1,312)	(460)
Balance at June 30, 2006	\$ 536	\$ 566	\$ 21,114	\$ 27,410	\$ 49,626
Balance at December 31, 2006	\$ 508	\$ 601	\$ 25,779	\$ 24,871	\$ 51,759
Net income				3,949	3,949
Protected borrower equity retired	(9)				(9)
Capital stock/participation certificates issued		24			24
Capital stock/participation certificates retired		(85)			(85)
Patronage distribution					
Cash				(350)	(350)
Allocated retained earnings			261	(261)	—
Nonqualified allocated retained earnings			1,135	(1,135)	—
Retained earnings retired			(5,300)		(5,300)
Distribution adjustment			(11)	18	7
Balance at June 30, 2007	\$ 499	\$ 540	\$ 21,864	\$ 27,092	\$ 49,995

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

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, 2006, are contained in the 2006 Annual Report to Shareholders. These unaudited second quarter 2007 consolidated financial statements should be read in conjunction with the 2006 Annual Report to Shareholders.

On September 29, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Standard is effective for employers with publicly traded securities for the fiscal year ending after December 15, 2006 and for employers without publicly traded securities for the fiscal year ending after June 15, 2007. The Association will be required to implement the Standard for the year ended December 31, 2007. In addition, this Standard requires that the funded status of a plan be measured as of the date of the year-end financial statements. Currently, the Association uses a measurement date of September 30th. The requirement to measure the funded status as of the fiscal year-end is effective for fiscal years ending after December 15, 2008. The Association is currently evaluating the impact of implementing this Standard. It is anticipated that the impact from the implementation of this Standard will have no impact on the consolidated income statement and, based on the current funded status of the defined benefit plans, it is not expected to have a material or significant impact on the consolidated balance sheet.

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 six months ended June 30, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

Certain amounts in prior period consolidated financial statements may 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 June 30, 2007, 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:

	For the six months ended June 30,	
	2007	2006
Balance at beginning of period	\$ 187	\$ 183
Provision for (reversal of) loan losses	(53)	73
Recoveries, net of loans charged off	14	11
Balance at end of period	<u>\$ 148</u>	<u>\$ 267</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 six months ended June 30,	
	2007	2006
Pension	\$ 160	\$ 190
Thrift/deferred compensation	38	33
Other postretirement benefits	37	39
Total	<u>\$ 235</u>	<u>\$ 262</u>

As of June 30, 2007, no contributions have been made to the pension plan for 2007. Actuarial projections as of the last plan measurement date (September 30, 2006) did not anticipate any contributions for 2007; 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.