

THIRD QUARTER 2005

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Financial Condition and Results of Operations.....2

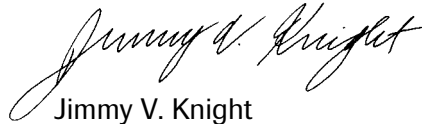
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Jimmy V. Knight
Chief Executive Officer


William G. Welles, IV
Chairman of the Board

October 28, 2005

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 (Association) for the period ended September 30, 2005. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2004 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 September 30, 2005, was \$257,239, an increase of \$83 as compared to \$257,156 at December 31, 2004. Net loans outstanding at September 30, 2005, were \$247,042 as compared to \$256,819 at December 31, 2004. Net loans accounted for 95.30 percent of total assets at September 30, 2005, as compared to 94.68 percent of total assets at December 31, 2004. 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. Nonaccrual loans decreased from \$822 at December 31, 2004, to \$5 at September 30, 2005.

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 September 30, 2005, was \$197 compared to \$337 at December 31, 2004, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended September 30, 2005

Net income for the three months ended September 30, 2005, totaled \$1,348, as compared to \$1,308 for the same period in 2004. Net interest income increased \$6 for the three months ended September 30, 2005, as compared to the same period in 2004.

Noninterest income for the three months ended September 30, 2005, totaled \$1,060, as compared to \$890 for the same period of 2004, an increase of \$170. The increase is the result of several large loans that have been originated and sold to other Farm Credit Institutions and have considerable fees associated with them. Noninterest expense for the three months ended September 30, 2005, increased \$181 compared to the same period of 2004.

For the nine months ended September 30, 2005

Net income for the nine months ended September 30, 2005, totaled \$4,368 as compared to \$3,740 for the same period in 2004, an increase of \$628 over prior year. At September 30, 2005, net interest income increased by \$328 or 7.33 percent as compared to September 30, 2004.

Noninterest income for the nine months ended September 30, 2005, totaled \$3,273 as compared to \$2,714 for the same period of 2004, an increase of \$559. The increase is primarily the result of two Capital Markets loans that had considerable fees associated with them. Noninterest expense for the nine months ended September 30, 2005, increased \$253 compared

to the same period of 2004. The primary reasons for the increase in noninterest expense, is attributed to an increase in controllable costs associated with the newly developed Country Mortgages Unit.

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 September 30, 2005, was \$214,240 as compared to \$215,910 at December 31, 2004.

CAPITAL RESOURCES

Total members' equity at September 30, 2005, increased to \$50,731 from the December 31, 2004, total of \$50,141. The increase is primarily attributed to fee income associated with loans originated and purchased in the Capital Markets business unit.

Total capital stock and participation certificates were \$1,301 on September 30, 2005, compared to \$1,602 on December 31, 2004. This decrease is attributed to protected borrower equity, capital stock and participation certificates 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 September 30, 2005, the Association's total surplus ratio and core surplus ratio were 19.43 percent and 15.28 percent, respectively, and the permanent capital ratio was 19.86 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>	September 30, 2005 <i>(unaudited)</i>	December 31, 2004 <i>(audited)</i>
Assets		
Cash	\$ 539	\$ 1,051
Loans	257,239	257,156
Less: allowance for loan losses	197	337
Net loans	257,042	256,819
Accrued interest receivable	1,749	1,828
Investment in other Farm Credit institutions	4,678	4,419
Premises and equipment, net	946	929
Other assets	4,759	6,196
Total assets	<u>\$ 269,713</u>	<u>\$ 271,242</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 214,240	\$ 215,910
Accrued interest payable	844	634
Patronage refund payable	4	1,897
Other liabilities	3,894	2,661
Total liabilities	<u>218,982</u>	<u>221,102</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	663	936
Capital stock and participation certificates	639	666
Retained earnings		
Allocated	22,060	25,445
Unallocated	27,369	23,093
Total members' equity	<u>50,731</u>	<u>50,140</u>
Total liabilities and members' equity	<u>\$ 269,713</u>	<u>\$ 271,242</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 September 30,		For the nine months ended September 30,	
	2005	2004	2005	2004
Interest Income				
Loans	\$ 3,984	\$ 3,071	\$ 11,280	\$ 8,684
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	2,469	1,562	6,592	4,211
Net interest income	1,515	1,509	4,688	4,473
Provision for (reversal of) loan losses	(50)	—	(113)	—
Net interest income after provision for (reversal of) loan losses	1,565	1,509	4,801	4,473
Noninterest Income				
Loan fees	331	95	945	303
Fees for financially related services	1	1	1	1
Equity in earnings of other Farm Credit institutions	700	772	2,198	2,317
Gains (losses) on other property owned, net	2	2	5	5
Other noninterest income	26	23	124	91
Total noninterest income	1,060	893	3,273	2,717
Noninterest Expense				
Salaries and employee benefits	755	751	2,329	2,268
Occupancy and equipment	79	79	232	210
Insurance Fund premium	39	(28)	84	88
Other operating expenses	381	271	1,037	863
Total noninterest expense	1,254	1,073	3,682	3,429
Income before income taxes	1,371	1,329	4,392	3,761
Provision (benefit) for income taxes	23	18	24	18
Net income	\$ 1,348	\$ 1,311	\$ 4,368	\$ 3,743

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		Accumulated Other Comprehensive Income	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2003	\$ 1,154	\$ 673	\$ 23,619	\$ 15,780	\$ (1,885)	\$ 39,341
Net income				3,743		3,743
Protected borrower equity retired	(188)					(188)
Capital stock/participation certificates issued		47				47
Capital stock/participation certificates retired		(65)				(65)
Retained earnings retired			(1,622)			(1,622)
Distribution adjustment			(70)	105		35
Balance at September 30, 2004	\$ 966	\$ 655	\$ 21,927	\$ 19,628	\$ (1,885)	\$ 41,291
Balance at December 31, 2004	\$ 936	\$ 666	\$ 25,445	\$ 23,093	\$ —	\$ 50,140
Net income				4,368		4,368
Protected borrower equity retired	(273)					(273)
Capital stock/participation certificates issued		52				52
Capital stock/participation certificates retired		(79)				(79)
Retained earnings retired			(3,444)			(3,444)
Distribution adjustment			59	(92)		(33)
Balance at September 30, 2005	\$ 663	\$ 639	\$ 22,060	\$ 27,369	\$ —	\$ 50,731

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, 2004, are contained in the 2004 Annual Report to Shareholders. These unaudited third quarter 2005 consolidated financial statements should be read in conjunction with the 2004 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 nine months ended September 30, 2005, are not necessarily indicative of the results to be expected for the year ending December 31, 2005.

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 September 30, 2005, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

Balance at 12-31-03	\$ 6,989
(Reversal of) provision for loan losses	—
Loans (charged off), net of recoveries	<u>(46)</u>
Balance at 9-30-04	<u>\$ 6,943</u>
Balance at 12-31-04	\$ 337
(Reversal of) provision for loan losses	(113)
Loans (charged off), net of recoveries	<u>(27)</u>
Balance at 9-30-05	<u>\$ 197</u>

As discussed in the 2004 Annual Report, the Association recorded a loan loss reversal of \$6,611 in the fourth quarter of 2004 that resulted in a decrease in the allowance for loan losses.

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 nine months ended September 30, 2005:

	For the nine months ended September 30,	
	2005	2004
Pension	\$ 264	\$ 295
Thrift/deferred compensation	41	35
Other postretirement benefits	<u>124</u>	<u>170</u>
Total	<u>\$ 429</u>	<u>\$ 500</u>

The Association had not previously anticipated making a contribution in 2005 to the defined benefit retirement plan based upon actuarial projections as of the last plan measurement date (September 30, 2004). However, due to market conditions affecting discount rates and return on plan assets, current actuarial projections indicated that a contribution was needed to meet the expected accumulated benefit obligation at September 30, 2005. During the third quarter of 2005, the Association contributed \$490 to the defined benefit retirement plan. The Association does not anticipate making additional contributions for the remainder of 2005.