Farm Credit of Central Florida, ACA

SECOND QUARTER 2007

Richard W. Joyner
Chief Executive Officer

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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 Central Florida, ACA, (Association) for the period ended June 30, 2007. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2006 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

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 in our region, including citrus, fruits/vegetables, horticulture, 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, reduces the level of dependency on a given commodity.

The gross loan volume of the Association as of June 30, 2007, was $342,824, a decrease of $6,348 as compared to $349,172 at December 31, 2006. Net loans outstanding at June 30, 2007, were $341,270 as compared to $347,533 at December 31, 2006. The Association has investment securities that are classified as held to maturity in the amount of $31,687 at June 30, 2007 as compared to $38,704 at December 31, 2006. Net loans and investment securities accounted for 93.31 percent of total assets at June 30, 2007, as compared to 92.75 percent of total assets at December 31, 2006.

The decrease in gross loan volume for June 30, 2007, is primarily attributed to seasonal lending. The short-term portfolio, which is heavily influenced by operating loans, normally reaches a peak between September and December and then declines between February and August, as strawberry and other winter vegetables are marketed and proceeds are applied to the operating loans.

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 increased $687 to $4,206 at June 30, 2007, compared to $3,519 at December 31, 2006, the majority being due to the weaknesses associated with one loan in the nursery industry.

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 $1,554 compared to $1,639 at December 31, 2006, and is considered by management to be adequate to cover possible losses.

RESULTS OF OPERATIONS

For the three months ended June 30, 2007

Net income for the three months ended June 30, 2007, totaled $2,916, as compared to $2,486 for the same period in 2006. Net interest income decreased $510 for the three months ended June 30, 2007, as compared to the same period in 2006. The primary reasons for this decrease in net interest income are that the volume of net accruing loans and investments are less as compared to the same time last year.

At June 30, 2007, interest income on accruing loans decreased $747 to $7,144 as compared to $7,891 at June 30, 2006. Nonaccrual income was $4 for the three months June 30, 2007, as compared to $12 for the same period in 2006. Interest income on investment securities was $372 for the three months ended June 30, 2007 as compared to $471 for the same period in 2006. Interest expense decreased $336 for the three months ended June 30, 2007 as compared to the same period in 2006.

Noninterest income for the three months ended June 30, 2007, totaled $2,076, as compared to $1,066 for the same period of 2006, an increase of $1,010. The increase is primarily the result of the increases in equity in earnings of the Bank ($851) and fees for financially related services ($220) being partially offset by the reduction in noninterest income other ($40) and loan fees ($21). Noninterest expense for the three months ended June 30, 2007, increased $170 compared to the same period of 2006. The primary reasons for the increase in noninterest expense were increases in salary and employee benefits expenses ($148), other operating expenses ($31), and occupancy and equipment expense ($9), being partially offset by the reduction in insurance fund premium expense ($18).

For the six months ended June 30, 2007

Net income for the six months ended June 30, 2007, totaled $5,761, as compared to $4,751 for the same period in 2006. Net interest income decreased $701 for the six months ended June 30, 2007, as compared to the same period in 2006. The primary reasons for this decrease in net interest income are that the volume of net accruing loans and investments are less as compared to the same time last year.

At June 30, 2007, interest income on accruing loans decreased $1,099 to $14,297 as compared to $15,396 at June 30, 2006. Nonaccrual income was $17 for the six months ended June 30, 2007, as compared to $16 at June 30, 2006. Interest income on investment securities was $888 for the six months ended June 30, 2007 as compared to $874 at June 30, 2006. Interest expense decreased $384 for the six months ended June 30, 2007 as compared to the same period in 2006.

Noninterest income for the six months ended June 30, 2007, totaled $4,044, as compared to $2,100 for the same period of 2006, an increase of $1,944. The increase is primarily the result of the increase in equity in earnings of the Bank ($1,652) and fees for financially related services ($236) and loan fees ($72) being partially offset by the reduction in other noninterest income ($16). Noninterest expense for the six months ended June 30, 2007, increased $337 compared to the same period of 2006. The primary reasons for the increase in noninterest expense were increases in salaries and employee benefits ($291), other operating expenses ($66) and occupancy and equipment expense ($14), being partially offset by the reduction in insurance fund premiums ($34),

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with 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 funds are advanced by the Bank 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 $317,450 as compared to $334,575 at December 31, 2006. The decrease is attributable to the application of proceeds from loan payments and payoffs in the normal course of business.

CAPITAL RESOURCES

Total members' equity at June 30, 2007, increased to $72,070 from the December 31, 2006, total of $69,100. The increase is primarily attributed to the increase in surplus along with a very small increase in capital stock and participation certificates.

Total capital stock and participation certificates were $1,310 on June 30, 2007, compared to $1,306 on December 31, 2006. This increase is attributed to new stock purchases being partially offset by the retirement of protected stock and participation certificates on loans liquidated in the normal course of business.

Farm Credit Administration 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 14.14 percent and 10.91 percent, respectively, and the permanent capital ratio was 15.11 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. 316, or writing Wanda Martin, 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 1-800-533-2773, or writing Greg Ellis, CFO, Farm Credit of Central Florida, ACA, P. O. Box 8009, Lakeland, FL 33802, or accessing the website, *www.farmcreditcfl.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 Central Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	**June 30, 2007**	**December 31, 2006**
	(unaudited)	*(audited)*
Assets		
Cash	$ 12	$ 63
Investment securities, held to maturity	31,687	38,704
Loans	342,824	349,172
Less: allowance for loan losses	1,554	1,639
Net loans	341,270	347,533
Accrued interest receivable	3,121	3,582
Investment in other Farm Credit institutions	14,592	15,822
Premises and equipment, net	1,069	1,139
Prepaid retirement expense	3,378	3,609
Due from AgFirst Farm Credit Bank	3,292	4,523
Other assets	1,266	1,469
Total assets	$ 399,687	$ 416,444
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 317,450	$ 334,575
Accrued interest payable	1,637	1,680
Patronage refund payable	60	3,603
Other liabilities	8,470	7,486
Total liabilities	327,617	347,344
Commitments and contingencies		
Members' Equity		
Protected borrower equity	70	97
Capital stock and participation certificates	1,240	1,209
Retained earnings		
Allocated	26,512	28,995
Unallocated	44,248	38,799
Total members' equity	72,070	69,100
Total liabilities and members' equity	$ 399,687	$ 416,444

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

Farm Credit of Central Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
Interest Income				
Loans	$ 7,144	$ 7,891	$ 14,297	$ 15,396
Investment securities	372	471	888	874
Total Interest Income	7,516	8,362	15,185	16,270
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	4,982	5,318	9,985	10,369
Net interest income	2,534	3,044	5,200	5,901
Provision for (reversal of allowance for) loan losses	(100)	—	(100)	—
Net interest income after provision for (reversal of allowance for) loan losses	2,634	3,044	5,300	5,901
Noninterest Income				
Loan fees	177	198	400	328
Fees for financially related services	221	1	237	1
Equity in earnings of other Farm Credit institutions	1,668	817	3,338	1,686
Other noninterest income	10	50	69	85
Total noninterest income	2,076	1,066	4,044	2,100
Noninterest Expense				
Salaries and employee benefits	1,100	952	2,215	1,924
Occupancy and equipment	178	169	351	337
Insurance Fund premium	131	149	261	295
Other operating expenses	385	354	756	690
Total noninterest expense	1,794	1,624	3,583	3,246
Income before income taxes	2,916	2,486	5,761	4,755
Provision (benefit) for income taxes	—	—	—	4
Net income	$ 2,916	$ 2,486	$ 5,761	$ 4,751

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

Farm Credit of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2005	$ 146	$ 1,169	$ 27,008	$ 38,134	$ 66,457
Net income				4,751	4,751
Protected borrower equity retired	(33)				(33)
Capital stock/participation certificates issued		110			110
Capital stock/participation certificates retired		(101)			(101)
Retained earnings retired			(5,036)		(5,036)
Distribution adjustment			423	(645)	(222)
Balance at June 30, 2006	$ 113	$ 1,178	$ 22,395	$ 42,240	$ 65,926
Balance at December 31, 2006	$ 97	$ 1,209	$ 28,995	$ 38,799	$ 69,100
Net income				5,761	5,761
Protected borrower equity retired	(27)				(27)
Capital stock/participation certificates issued		109			109
Capital stock/participation certificates retired		(78)			(78)
Retained earnings retired			(2,178)		(2,178)
Distribution adjustment			(305)	(312)	(617)
Balance at June 30, 2007	$ 70	$ 1,240	$ 26,512	$ 44,248	$ 72,070

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 Central 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 ratably 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	$ 1,639	$ 2,133
Provision for (reversal of) loan losses	(100)	–
Recoveries, net of loans charged off	15	2
Balance at end of period	$ 1,554	$ 2,135

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	$ 231	$ 263
Thrift/deferred compensation	53	47
Other postretirement benefits	81	86
Total	$ 365	$ 396

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.