

FIRST QUARTER 2006

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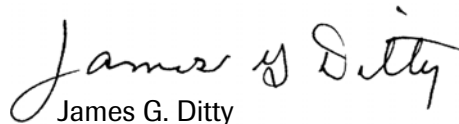
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James R. Alberts
Chief Executive Officer



James G. Ditty
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 Northwest Florida, ACA (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 forestry, row crops, livestock peanuts, horticulture, dairies and rural homes. 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 \$462,792, an increase of \$43,481, as compared to \$419,311 at December 31, 2005. Net loans outstanding (gross loans net of the allowance for loan losses) at March 31, 2006, were \$461,336 as compared to \$417,902 at December 31, 2005. Net loans accounted for 97.37 percent of total assets at March 31, 2006, as compared to 96.25 percent of total assets at December 31, 2005. This increase in loan volume is mostly due to continued desire for ownership of timberland, recreational/hunting land and lifestyle farms. Continued sale of timberland by large corporations has resulted in extraordinary availability of land for acquisition.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans increased by \$335, from \$940 at December 31, 2005 to \$1,275 at March 31, 2006. This net increase is due to three additional loans in nonaccrual status totaling \$335.

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 \$1,456, an increase of \$47, as compared to \$1,409 at December 31, 2005. The allowance for loan loss of \$1,456 at March 31, 2006 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 \$3,001, as compared to \$2,221 for the same period in 2005. Net interest income increased \$1,016 for the three months ended March 31, 2006, as compared to the same period in 2005. Increased loan volume and increased interest rates were the primary reasons for this increase in net interest income.

Noninterest income for the three months ended March 31, 2006, totaled \$964, as compared to \$715 for the same period of 2005, an increase of \$249. The increase is primarily the result of an increase of \$191 in Equity in Earnings of other Farm Credit institutions and an increase of \$57 in loan fee income. Noninterest expense for the three months ended March 31, 2006, increased \$313 compared to the same period of 2005. The primary reasons for the increase in noninterest expense were an increase of \$110 in salaries and benefits, and an increase of \$128 in Insurance Fund premiums. The increase in the Insurance Fund premiums was primarily due to increases in insurance premium rates and an increase in loan volume.

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 \$406,858 as compared to \$370,114 at December 31, 2005.

CAPITAL RESOURCES

Total members' equity at March 31, 2006, increased to \$58,268 from the December 31, 2005, total of \$56,022. The increase is primarily attributed to net income of 3,001 for the three months ended March 31, 2006 less an allocated surplus distribution of \$657.

Total capital stock and participation certificates were \$1,287 on March 31, 2006, compared to \$1,464 on December 31, 2005. This decrease is attributed to capital stock and participation certificates retirements of \$238 and issuances of \$61.

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 12.13 percent and 11.56 percent, respectively, and the permanent capital ratio was 12.46 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 850-526-4910 ext. 103, or writing Bruce C. Harrison, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, FL 32447, or accessing the website, www.farmcredit-fl.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 fo Northwest Florida, ACA
Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2006 <i>(unaudited)</i>	December 31, 2005 <i>(audited)</i>
Assets		
Cash	\$ 391	\$ 360
Loans	462,792	419,311
Less: allowance for loan losses	1,456	1,409
Net loans	461,336	417,902
Accrued interest receivable	3,376	3,707
Investment in other Farm Credit institutions	4,418	4,418
Premises and equipment, net	1,510	1,337
Prepaid retirement expense	2,336	2,425
Due from AgFirst Farm Credit Bank	—	3,680
Other assets	434	369
Total assets	<u>\$ 473,801</u>	<u>\$ 434,198</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 406,858	\$ 370,114
Accrued interest payable	1,759	1,564
Patronage refund payable	265	2,995
Other liabilities	6,651	3,503
Total liabilities	<u>415,533</u>	<u>378,176</u>
Commitments and contingencies		
Members' Equity		
Protected borrower equity	35	45
Capital stock and participation certificates	1,252	1,419
Retained earnings		
Allocated	36,541	37,394
Unallocated	20,440	17,164
Total members' equity	<u>58,268</u>	<u>56,022</u>
Total liabilities and members' equity	<u>\$ 473,801</u>	<u>\$ 434,198</u>

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

Farm Credit of Northwest Florida, ACA
Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2006	2005
Interest Income		
Loans	\$ 8,483	\$ 5,078
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	5,006	2,665
Other	53	5
Total interest expense	5,059	2,670
Net interest income	3,424	2,408
Provision for (reversal of allowance for) loan losses	47	—
Net interest income after provision for (reversal of allowance for) loan losses	3,377	2,408
Noninterest Income		
Loan fees	193	136
Equity in earnings of other Farm Credit institutions	743	552
Other noninterest income	28	27
Total noninterest income	964	715
Noninterest Expense		
Salaries and employee benefits	787	677
Occupancy and equipment	78	79
Insurance Fund premium	159	31
Other operating expenses	309	233
Total noninterest expense	1,333	1,020
Income before income taxes	3,008	2,103
Provision (benefit) for income taxes	7	(118)
Net income	\$ 3,001	\$ 2,221

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

Farm Credit fo Northwest 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	\$ 66	\$ 1,376	\$ 29,843	\$ 17,009	\$ 48,294
Net income				2,221	2,221
Protected borrower equity retired	(14)				(14)
Capital stock/participation certificates issued		51			51
Capital stock/participation certificates retired		(164)			(164)
Distribution adjustment			158	(225)	(67)
Balance at March 31, 2005	\$ 52	\$ 1,263	\$ 30,001	\$ 19,005	\$ 50,321
Balance at December 31, 2005	\$ 45	\$ 1,419	\$ 37,394	\$ 17,164	\$ 56,022
Net income				3,001	3,001
Protected borrower equity retired	(10)				(10)
Capital stock/participation certificates issued		61			61
Capital stock/participation certificates retired		(228)			(228)
Retained earnings retired			(657)		(657)
Distribution adjustment			(196)	275	79
Balance at March 31, 2006	\$ 35	\$ 1,252	\$ 36,541	\$ 20,440	\$ 58,268

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

Farm Credit of Northwest 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 Northwest 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.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

Balance at 12-31-04	\$ 1,409
(Reversal of) provision for loan losses	—
Recoveries, net of loans charged off	—
Balance at 3-31-05	<u>\$ 1,409</u>
Balance at 12-31-05	\$ 1,409
(Reversal of) provision for loan losses	47
Recoveries, net of loans charged off	—
Balance at 3-31-06	<u>\$ 1,456</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	\$ 89	\$ 75
Thrift/deferred compensation	21	12
Other postretirement benefits	20	44
Total	<u>\$ 130</u>	<u>\$ 131</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.