ArborOne, ACA

THIRD QUARTER 2008

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2008 quarterly report of **ArborOne, ACA**, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Jasper W. Shuler
Chief Executive Officer

Kathy S. Heustess
Chief Operating and Financial Officer

James M. Ward
Chairman of the Board

October 22, 2008

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 **ArborOne, ACA**, (Association) for the period ended September 30, 2008. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2007 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 tobacco, poultry, swine and forestry. Farm size varies and many of the borrowers in the region have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, somewhat impact the level of dependency on a given commodity. Approximately twenty-seven percent of the portfolio has significant outside income to diversify dependence on agriculture, consisting of lifestyle loans and loans to less than full-time farmers with retirement income, salaried income and non-agricultural business income. Further, approximately fifteen percent of the assets carry federal guarantees as a risk management tool.

The gross loan volume of the Association as of September 30, 2008, was $330,282, a decrease of $15,104 as compared to $345,386 at December 31, 2007. Net loans outstanding at September 30, 2008, were $329,360 as compared to $345,333 at December 31, 2007. During the nine months ended September 30, 2008, the Association's sold participations to *Ag***First** *Farm Credit Bank* (the Bank) increased by $36,121. As of September 30, 2008, the Association had $92,373 of such participations outstanding. The Association has investment securities that are classified as available for sale in the amount of $30,076 at September 30, 2008 compared to $32,500 at December 31, 2007. The Association entered into commitments to acquire Successor-in-Interest Contracts (SIIC), beginning in the fourth quarter of 2005. As of September 30, 2008, the Association had $109,721 in other investments for SIIC, compared to $121,693 at December 31, 2007. Net loans and investments accounted for 94.30 percent of total assets at September 30, 2008, as compared to 94.59 percent of total assets at December 31, 2007.

Net loans and investments decreased by $29,977 during the reporting period. The decrease in loan volume is primarily due to an increase in gross loan volume, offset by an increase in participations sold to the Bank. Investment securities available for sale decreased by $2,424 due to normal payments and a decrease in fair value while investments held to maturity increased by $392. The other investments for SIIC decreased by $11,972, which was due to the annual payments on the contracts. The Association continues to review and engage in investment and participation opportunities, while serving customers within the territory.

There is an inherent risk in the extension of any type of credit. However, portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual loans increased from $2,673 at December 31, 2007, to $4,719 at September 30, 2008. This was due to two large participation loans that were moved to non-accrual while one large participation loan was liquidated.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on historical losses, current conditions, and expected future conditions. The allowance for loan losses at September 30, 2008, was $922, compared to $53 at December 31, 2007. This increase was due to the Association recording a specific reserve of $507 on the participation loan that was moved to non-accrual this quarter, and also included a reduction of $270 to the specific reserve of an existing nonaccrual participation loan. The net increase for the period ending September 30, 2008, is considered by management to be adequate to cover possible losses. There were net recoveries of $1 for the three months ended September 30, 2008.

RESULTS OF OPERATIONS

For the three months ended September 30, 2008

Net income for the three months ended September 30, 2008, totaled $2,985, as compared to $2,429 for the same period in 2007. Net interest income decreased $315, for the three months ended September 30, 2008, as compared to the same period in 2007 due to decreased loan volume coupled with lower interest rates. This decrease is a result of interest income on loan volume and other investments (SIIC) decreasing by $2,135, while the interest income on investment securities increased by $104. Interest expense also decreased by $1,716.

At September 30, 2008, interest income on accruing loans decreased by $2,269 compared to $7,457 at September 30, 2007. Nonaccrual income was $214 for the three months ended September 30, 2008, as compared to $10 for the same period in 2007. Interest income on investment securities was $281 compared to $177 for the same period in 2007. A large nonaccrual participation loan liquidated, thus causing this positive variance. Interest income on other investments (SIIC) was $1,478 for the three months ended September 30, 2008, and $1,673 for the same period in 2007. Interest expense decreased $1,716 for the three months ended September 30, 2008, as compared to the comparable period of 2007. The interest expense decrease was a result of decreased loan volume and lower interest rates which were partially offset by an increase of investment securities held to maturity volume and interest expense for the subordinated debt of $11. The Association recorded a net provision for loan loss of $237 for the quarter. This was a result of recording a specific reserve of $507 for a participation loan moved to non-accrual this quarter, and was partially offset by the reduction of the specific reserve of another participation loan.

Noninterest income for the three months ended September 30, 2008, totaled $3,208 as compared to $1,796 for the same period of 2007, an increase of $1,412. The increase is primarily the result of increased patronage income for loans sold to the Bank. Noninterest expense for the three months ended September 30, 2008, increased $260 compared to the same period of 2007. Increases in salaries and employee benefits, occupancy and equipment, and other operating expenses were the primary drivers of the increase. The Association recorded a provision for income taxes of $44 for the three months ended September 30, 2008, as compared to $9 for the three months ended September 30, 2007.

For the nine months ended September 30, 2008

Net income for the nine months ended September 30, 2008, totaled $6,011, as compared to $7,176 for the same period in 2007. For the nine months ended September 30, 2008, net interest income decreased by $1,019 or 15.21 percent compared to September 30, 2007. Interest income on loans and other investments (SIIC) decreased by $4,329 and $405, respectfully, and was partially offset by an increase of $650 in investment securities. Interest expense decreased by $3,065 compared to the same period of 2007. This decrease was partially offset by the interest expense added from the subordinated debt. The change in net interest income is the result of both decreased loan volume and lower interest rates.

Nonaccrual income was $279 for the nine months ended September 30, 2008, as compared to $371 for the same period in 2007. The Association recorded a provision for loan loss of $873 for the nine months ended September 30, 2008, but recorded a reversal of allowance for loan loss of $209 for the same period in 2007.

Noninterest income for the nine months ended September 30, 2008, totaled $7,298, as compared to $5,360 for the same period of 2007, an increase of $1,938. The increase is primarily the result of increases in patronage income by $1,295 as well as an increase of $547 in gains on sales of premises and equipment. The gains on sales of premises and equipment was attributed mostly to the sale of the association's office building. Noninterest expense for the six months ended September 30, 2008, increased $950 compared to the same period of 2007. This increase is attributable to a rise in salaries and employee benefits of $273, occupancy and equipment expenses of $415, and other operating expenses of $313. The Association recorded a provision for income taxes of $63 for the nine months ended September 30, 2008, an increase of $52 as compared to the same period in 2007.

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 September 30, 2008, was $431,009 as compared to $466,846 at December 31, 2007. The decrease during the period is primarily attributable to decreased loan volume and lower interest rates.

In September 2008, the Association issued $7,500 of fixed rate unsecured subordinated debt due in 2018, generating proceeds that were primarily used to increase the permanent capital of the Association pursuant to the Farm Credit Administration regulations, and for general corporate purposes. The debt is payable to another association in the Farm Credit System (System). It is subordinate to all other categories of creditors, including any claims of the Bank and general creditors, and is senior to all classes of shareholders. The subordinated debt is not considered System debt, and thus is not guaranteed by the System and not insured by the Farm Credit System Insurance Corporation.

CAPITAL RESOURCES

Total members' equity at September 30, 2008, increased to $53,498 from the December 31, 2007, total of $48,414. The increase is primarily attributable to the increase in retained earnings in excess of the reduction of protected stock and revolved equities.

Total capital stock and participation certificates were $1,580 on September 30, 2008, compared to $1,608 on December 31, 2007. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business and the annual retirement of B stock.

The Association reports other comprehensive income (loss) (OCI) in its Consolidated Statements of Changes in Members' Equity. The Association recognized OCI loss of $(349) as of September 30, 2008, as compared to $(450) in 2007 for FAS 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."* The Association also recognized OCI loss of $(904) as of September 30, 2008, as compared to $(44) in 2007 for unrealized gains (losses) on investments available for sale.

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, 2008, the Association's total surplus ratio and core surplus ratio were 11.24 percent and 8.28 percent, respectively, and the permanent capital ratio was 11.65 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.

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

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*". Please refer to Note 3, "Employee Benefit Plans", in the Notes to the Financial Statements, and the 2007 Annual Report of ArborOne, ACA for recently issued accounting pronouncements.

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 Stephen Gilbert, 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 1-800-741-7332, writing Casey Sherman, Corporate Secretary, ArborOne, ACA, P.O. Box 3699, Florence, SC 29502, or accessing the website, ***www.arborone.com***. The Association prepares a quarterly report within 40 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.

ArborOne, ACA

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2008 (unaudited)	December 31, 2007 (audited)
Assets		
Cash	$ 2	$ 2
Investment securities:		
Available for sale (amortized cost of $30,980 and $32,544 respectively)	30,076	32,500
Held to maturity (fair value of $1,432 and $1,016 respectively)	1,392	1,000
Total investment securities	31,468	33,500
Loans	330,282	345,386
Less: allowance for loan losses	922	53
Net loans	329,360	345,333
Loans held for sale		
Other investments	109,721	121,693
Accrued interest receivable	4,848	6,024
Investment in other Farm Credit institutions	15,480	12,699
Premises and equipment, net	862	584
Other property owned	—	287
Due from AgFirst Farm Credit Bank	4,632	5,127
Other assets	2,634	3,914
Total assets	$ 499,007	$ 529,163
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 431,009	$ 466,846
Subordinated debt payable to other Farm Credit institutions (Note 4)	7,500	—
Accrued interest payable	1,687	2,246
Patronage refund payable	237	2,946
Other liabilities	5,076	8,711
Total liabilities	445,509	480,749
Commitments and contingencies		
Members' Equity		
Protected borrower equity	373	412
Capital stock and participation certificates	1,207	1,196
Retained earnings		
Allocated	28,933	29,195
Unallocated	24,238	18,105
Accumulated other comprehensive income (loss)	(1,253)	(494)
Total members' equity	53,498	48,414
Total liabilities and members' equity	$ 499,007	$ 529,163

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

ArborOne, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007
Interest Income				
Investment securities	$ 281	$ 177	$ 973	$ 323
Loans	5,401	7,341	15,785	20,114
Other	1,478	1,673	4,435	4,840
Total interest income	7,160	9,191	21,193	25,277
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	5,093	6,820	15,500	18,576
Subordinated debt payable to other Farm Credit institutions (Note 4)	11	—	11	—
Total interest expense	5,104	6,820	15,511	18,576
Net interest income	2,056	2,371	5,682	6,701
Provision for (reversal of allowance for) loan losses	237	(9)	873	(209)
Net interest income after provision for (reversal of allowance for) loan losses	1,819	2,380	4,809	6,910
Noninterest Income				
Loan fees	626	316	1,386	1,287
Fees for financially related services	385	237	412	310
Equity in earnings of other Farm Credit institutions	1,531	1,160	4,685	3,390
Gains (losses) on other property owned, net	—	—	(22)	—
Gains (losses) on sale of rural home loans, net	8	11	24	58
Gains (losses) on sales of premises and equipment, net	594	—	599	52
Other noninterest income	64	72	214	263
Total noninterest income	3,208	1,796	7,298	5,360
Noninterest Expense				
Salaries and employee benefits	1,100	1,024	3,296	3,023
Occupancy and equipment	245	85	682	267
Insurance Fund premium	107	127	292	343
Other operating expenses	546	502	1,763	1,450
Total noninterest expense	1,998	1,738	6,033	5,083
Income before income taxes	3,029	2,438	6,074	7,187
Provision (benefit) for income taxes	44	9	63	11
Net income	$ 2,985	$ 2,429	$ 6,011	$ 7,176

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

ArborOne, 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	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2006	$ 453	$ 1,151	$ 26,826	$ 17,349	$ –	$ 45,779
Comprehensive income						
Net income				7,176		7,176
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments					(82)	(82)
Total comprehensive income						7,094
Protected borrower equity retired	(36)					(36)
Capital stock/participation certificates issued/(retired), net		40				40
Retained earnings retired			(3)			(3)
Patronage distribution adjustment			(565)	472		(93)
Balance at September 30, 2007	$ 417	$ 1,191	$ 26,258	$ 24,997	$ (82)	$ 52,781
Balance at December 31, 2007	$ 412	$ 1,196	$ 29,195	$ 18,105	$ (494)	$ 48,414
Comprehensive income						
Net income				6,011		6,011
Unrealized gains (losses) on investments available for sale, net of reclassification adjustments					(860)	(860)
Total comprehensive income						5,151
Protected borrower equity retired	(39)					(39)
Capital stock/participation certificates issued/(retired), net		11				11
Patronage distribution adjustment			(262)	167		(95)
Employee benefit plans adjustments				(45)	101	56
Balance at September 30, 2008	$ 373	$ 1,207	$ 28,933	$ 24,238	$ (1,253)	$ 53,498

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

The accompanying financial statements include the accounts of ArborOne, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2007, are contained in the 2007 Annual Report to Shareholders. These unaudited third quarter 2008 consolidated financial statements should be read in conjunction with the 2007 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 (GAAP) and prevailing practices within the banking industry. The results for the nine months ended September 30, 2008, are not necessarily indicative of the results to be expected for the year ending December 31, 2008.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's 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 GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of September 30, 2008, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In December 2007, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141R, "*Business Combinations*" (SFAS 141R). SFAS 141R requires business combinations to be accounted for under the acquisition method of accounting (previously called the purchase method). The acquisition method requires (a) identifying the acquirer, (b) determining the acquisition date, (c) recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, at their acquisition date fair values, and (d) recognizing and measuring goodwill or a gain from a bargain purchase. SFAS 141R should be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is prohibited. The Association is still evaluating the provisions of SFAS 141R, but believes that its adoption will significantly impact its accounting for combinations/acquisitions that may occur in 2009 and beyond.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	For the nine months ended September 30,	
	2008	**2007**
Balance at beginning of period	$ 53	$ 243
Provision for (reversal of) loan losses	873	(209)
Loans (charged off), net of recoveries	(4)	13
Balance at end of period	$ 922	$ 47

NOTE 3 – EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the nine months ended September 30,	
	2008	**2007**
Pension	$ 304	$ 282
401(k)	85	80
Other postretirement benefits	170	191
Total	$ 559	$ 553

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 9/30/08	Projected Contributions For Remainder of 2008	Projected Total Contributions 2008
Pension	$ -	$ -	$ -
Other postretirement benefits	150	53	203
Total	$ 150	$ 53	$ 203

As of September 30, 2008, no contributions have been made to the pension plan for 2008. Actuarial projections as of the last plan measurement date (September 30, 2007) did not anticipate any contributions for 2008. However, a new funding policy adopted during 2008 and a declining investment market, which has impacted the discount rate and the return on plan assets, will require an additional contribution to be made prior to the next plan measurement date at December 31, 2008. The additional contribution amount will be determined by the plan's Sponsor Committee.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (*SFAS 158), which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The balance sheet recognition provisions of SFAS 158 were adopted at December 31, 2007 by the Association.

SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. In fiscal 2007 and earlier, a September 30 measurement date was used for pension and other postretirement benefit plans. The Standard provides two approaches for an employer to transition to a fiscal year end measurement date. The approach applied by the Association allows for the use of the measurements determined for the prior year end. Under this alternative, pension and other postretirement benefit expense measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 30, 2007 measurement date) is reflected as an adjustment to beginning 2008 unallocated retained earnings. As a result, the Association decreased unallocated retained earnings and increased the pension liability by $45.

Upon adoption, SFAS 158 further required the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of accumulated other comprehensive income (AOCI). These amounts are subsequently recognized as components of net periodic benefit costs. For the first nine months of 2008, $101 has been recognized as a credit to AOCI and a debit to pension expense to reflect the amortization of the components previously recognized in AOCI.

Further details regarding employee benefit plans and adoption of SFAS 158 are contained in the 2007 Annual Report to Shareholders.

NOTE 4 – SUBORDINATED DEBT

In September 2008, the Association issued $7,500 of fixed rate unsecured subordinated debt due in 2018, generating proceeds that were primarily used to increase the permanent capital of the Association pursuant to the Farm Credit Administration regulations, and for general corporate purposes. The debt is payable to another association in the Farm Credit System (System). It is subordinate to all other categories of creditors, including any claims of the Bank and general creditors, and is senior to all classes of shareholders. The subordinated debt is not considered System debt, and thus is not guaranteed by the System and not insured by the Farm Credit System Insurance Corporation.

The subordinated debt bears interest at an annual fixed rate of 9%, payable on the fifteenth day of each month, beginning on October 15, 2008. Interest will be deferred if, as of the fifth business day prior to an interest payment date of the debt, any applicable minimum regulatory capital ratios are not satisfied. A deferral period may not last for more than five consecutive years or beyond the maturity date of the subordinated debt. During such a period, the Association may not declare or pay any dividends or patronage refunds, among other certain restrictions, until interest payments are resumed and all deferred interest has been paid. The subordinated debt may be redeemed, at the Association's option, on October 15, 2013, or upon the occurrence of certain defined regulatory events, at a redemption price of 100 percent of the principal amount, plus any accrued but unpaid interest to the date of redemption, provided the Association has made payment in full of all amount then due in respect of its senior indebtedness.