

OCONEE FINANCIAL CORPORATION

Post Office Box 205
Watkinsville, Georgia 30677
(706) 769-6611

February 6, 2009

Dear Fellow Shareholders:

This past year will be forever a year that will not be fondly remembered. Certainly in my 35 years with Oconee State Bank, there has never been such a tough time for us and for the banking industry as a whole.

For the first time ever, Oconee State Bank will show a net earnings loss (unaudited) in the amount of \$2,565,407. Due to the lack of loan demand and declining interest rates on loans, we experienced a drop in our interest income revenues from \$22,523,795 to \$16,083,955 during 2008. Our net loss was also attributed to our providing a total of \$5,963,000 from operating income to our loan loss reserves to prepare for any potential loan losses resulting from the downturn in the housing market and the economic recession.

We are fortunate that we have a strong capital position and strong liquidity to help the Bank weather this financial storm that embraces our entire country. We ended 2008 with total capital of \$26,658,140. This is at a level that continues to be considered well capitalized by regulatory standards for measuring bank capital ratios.

During the fourth quarter of 2008, we took aggressive steps to beef up our reserves for possible loan losses. We begin the new year with total reserves of \$6,610,762, which is almost double the level from a year ago. In establishing our reserves, we utilize a thorough process that has been reviewed and supported by our external auditors and loan review consultants. This process is designed to recognize potential losses both on an individual loan basis and on the entire portfolio as a whole, taking into account the current weak economy and real estate market. We also update this process regularly based on the most current information available to ensure that we are adequately accounting for the risk in our loan portfolio.

The Bank continues to work closely with all of our customers in an effort to manage each circumstance to the best possible outcome in these difficult times. At the end of the year, we had \$34,473,103 in loans and other assets that were considered as troubled or non-performing. We did go ahead and recognize losses on those loans that we have foreclosed on or anticipate having to foreclose upon. In 2008, we charged off \$2,730,221, which was largely related to those loans. Only time will tell as we work with these customers as to what our actual losses will be.

February 6, 2009

Page 2

Two of our main focuses in 2009 will be to generate the necessary revenues to return our bank to a profitable level and to reduce our non-performing loans. We have been very fortunate to retain the confidence of our customers. With their support, with the support of our shareholders and with our hard working staff, we move forward to the future. Please know that your Board of Directors, the Officers, and the Staff are committed to ensuring the safety and soundness of Oconee State Bank and remain focused on our vision to provide long term stability and value to all of our stakeholders.

Thank you very much.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Amrey Harden". The signature is written in a cursive, flowing style.

B. Amrey Harden
President and CEO