

Adopted June 19, 2000
Revised March 19, 2001

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF OCONEE FINANCIAL CORPORATION

ORGANIZATION

This Charter of the Audit Committee of the Board of Directors of Oconee Financial Corporation and Oconee State Bank, its wholly owned subsidiary, governs the operations of the Audit Committee. The Committee shall at least annually review and reassess the charter and obtain the approval of the Board of Directors. In addition, the Committee or its chair shall meet to review the Company's quarterly or interim financial statements and shall meet when requested by management or the outside auditors. The Committee shall comprise of at least three (3) directors, each of whom are independent of management and the Company. "Independent" shall have the meaning as set forth in Section 303.01(B)(2)(a) and (3) of the New York Stock Exchange's Listing Standards. All Committee members shall be financially literate within a reasonable period of time after appointment to the Committee, and at least one (1) member shall have accounting or related financial management expertise.

The members of the Audit Committee, including the Chairman of the Audit Committee, shall be appointed by the Chairman of the Board of Directors. In the event a director becomes disqualified from membership on the Audit Committee, such director shall be removed as soon as practicable from service on the Audit Committee by the Board. In the event that removal, resignation, retirement, death or other termination of a director from service on the Audit Committee results in the Audit Committee comprising less than three members, the Board shall elect a new qualified director to the Audit Committee as soon as practicable.

STATEMENT OF POLICY

The Audit Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

RESPONSIBILITIES AND PROCESS

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee in

carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behavior.

In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full time employees of the Company and are not, and do not represent themselves to be accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (iii) representations made by management as to any information technology, internal audit and other non audit services provided by the auditors to the Company.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company’s shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend to the Board the replacement of independent auditors. The Committee shall discuss with the auditors their independence from management and the Company and the Committee shall also request from the outside auditors a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard 1, as may be modified or supplemented. Annually, the Committee shall review and recommend to the Board the selection of the Company’s independent auditors, subject to Board approval.
- The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company’s system to monitor and manage business risk, and legal and ethical compliance programs. Further, the Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.
- The Committee shall review the interim financial statements with management and the independent auditors prior to the filing of the Company’s Quarterly Report on Form 10-QSB. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards No. 61, as may be modified or supplemented. The chair of the Committee may represent the entire Committee for the purposes of this review.

- The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-KSB and the annual report to shareholders including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards No. 61, as may be modified or supplemented.
- Based on the review and discussions above, the Committee should disclose whether the Committee recommends to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-KSB for the last fiscal year for filing with the Commission.
- The Audit Committee shall prepare an Annual Committee Report annually in connection with the Company's annual audit. The report shall address such matters as deemed appropriate by the Audit Committee, but shall state whether the Audit Committee (i) reviewed and discussed the Company's statements with management; (ii) discussed with the outside auditors such qualitative matters concerning the Company's accounting principles as applied in its financial reporting as are appropriate; (iii) received from the outside auditors a formal written statement delineating all relationships between the outside auditors and the Company consistent with Independence Standards Board Standard 1, as may be modified or supplemented; (iv) recommended to the Board that the Company's audited financial statements be included in the Company's public filings or other publicly available reports.