



2008 Annual Report

IGNITING DREAMS OF GOLD





Oak Ridge
Financial Services
Banking As It Should Be

View of Elm Street,
Greensboro, North Carolina.
Photo by
VanderVeen Photographers

BUILDING DREAMS, GROWING OUR REGION



RONALD O. BLACK

President & CEO
Bank of Oak Ridge

DEAR SHAREHOLDERS, FRIENDS & NEIGHBORS,

I'm proud to say that even with all the challenges faced by the banking and financial industries in 2008, Bank of Oak Ridge continued our forward momentum, and steady growth. We also remained dedicated to making a difference for our clients, whether they were branching out or turning over a new leaf.

As others in our industry faltered, the sound, ethical business practices that have guided Bank of Oak Ridge from the start were obvious. Our bank enjoyed its fifth consecutive year of profitability and in 2008, we grew once again with the opening of our third Greensboro location, allowing us to now offer five offices in our community. We broke ground on our new Corporate Headquarters and Banking Operation Center and were named one of the Best Places To Work In The Triad by the *Triad Business Journal*.

Standing strong, as a symbol of stability and security for our clients, was as important as ever in 2008. We continued to expand the services we offer, and our clients found great comfort in our ability to provide extended FDIC coverage, up to \$50 million on CD investments through our CDARS® program. We also were able to be a resource for local businesses when other larger banks were no longer able to help them grow and prosper.

We recognize that as a community bank, we have a responsibility to encourage and stimulate local economic growth. The Community Investment Loan Program we developed last year offered low interest rates and mortgage incentives to those purchasing select homes in our region. Bank of Oak Ridge was also instrumental in the launch of a new small business loan program with the University of North Carolina at Greensboro.

As always, we nurtured our deep connections to the community. New client appreciation events last year gave us a chance to personally thank those who have trusted their banking to us. Our ongoing involvement in community and fundraising events demonstrated our dedication to the markets we serve.

Bank of Oak Ridge continues to weather the storm of this economic climate. We look forward to continued success as we seek to find golden opportunities for our bank and our clients. I want to thank our Board of Directors, management team, employees and shareholders for the continued support that has been so crucial in allowing us to deliver Banking As It Should Be.

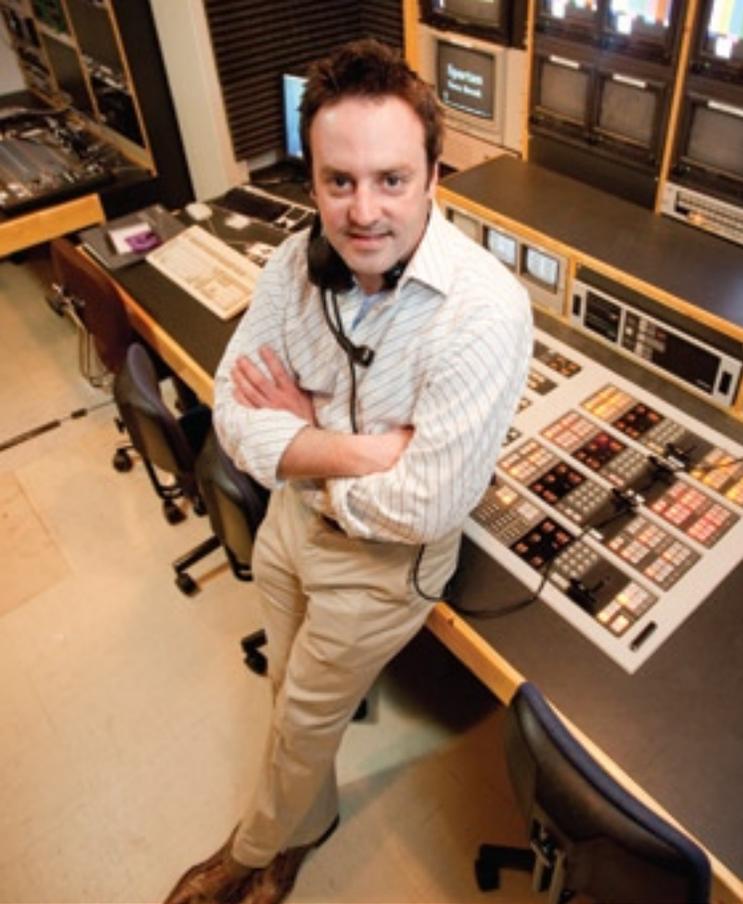
Sincerely,

Ronald O. Black, President & CEO

“
IF YOU CAN IMAGINE IT,
YOU CAN ACHIEVE IT.
IF YOU CAN DREAM IT,
YOU CAN BECOME IT.”

- William Arthur Ward





THE SEEDS OF SUCCESS

In Celtic mythology, the oak tree is believed to be a gateway to another world, where new possibilities abound. At Bank of Oak Ridge, the door to new opportunities is not a myth. Each day we work with clients to nurture their dreams and plant the seeds of success.

One way we helped budding entrepreneurs in 2008 was by establishing the Bank of Oak Ridge Micro-Loan Fund at the University of North Carolina at Greensboro (UNCG). The bank contributed \$20,000 to start the fund, which will be used to award business loans, up to \$1,000 each, to UNCG student entrepreneurs. As the loans are repaid, the money goes back into the fund to aid future students. Loan recipients first complete a course where they learn how to create a viable new campus business. At the end of the course, students may submit a business plan to a panel of judges comprised of UNCG faculty, administrators and outside executives. The best business plans are awarded a license to conduct business on the UNCG campus and a micro-loan.

So far, six students have benefited from this program, including Pablo Díaz, owner of iDíaz, a multi-media presentation development company, John Read, owner of Student Image Photography, and Alan Buck, owner of Southwood Media, a media production company.

At Bank of Oak Ridge, we're proud to play a vital role in the origins of these and other new businesses. We look forward to seeing them grow and flourish, and we'll continue to do our part to support local businesses in our community.

“*In the current economic environment, it is hard to believe there's a bank out there that actually cares about its customers. But the fact that Bank of Oak Ridge is willing to work with young entrepreneurs speaks volumes. They are investing in the future and are miles ahead of other banks.*”

- Alan Buck
Owner of Southwood Media

“ This loan from Bank of Oak Ridge has allowed me to operate on a much higher level! These funds made it possible for me to acquire new equipment, resulting in more business and the ability to consistently pay back my loan each month. ”

- John Read,
Owner of Student Image Photography



“ The micro-loan from Bank of Oak Ridge gave my business the jump-start it needed to get going. I am excited that my new business is now a reality. ”

- Pablo Díaz,
Owner of iDiaz, LLC

DURING TROUBLED
TIMES, YOU SEE A
BANK'S TRUE COLORS.
WE'RE GOLDEN.

STANDING STRONG THROUGHOUT EVERY SEASON

From banking giants to young families trying to pay their mortgages, the uncertain financial climate over the past year had a dramatic impact on much of the country. It's in times like these when you should be able to rely on your bank to stand strong and be there for you. That's our philosophy at Bank of Oak Ridge. Our goal is to help our clients grow, flourish and take advantage of new opportunities.

A prime example of how we make a difference for local businesses is Xpicor, Inc., owned by Shawn and Shawna Poole. When this established company went to their "big bank" to renew a credit line, the owners were surprised by the outcome. Even though they had always paid on time, and had no balance due, renewal of their credit line was denied. At Bank of Oak Ridge, we were happy to step in and help with a new line of credit. Xpicor not only survived, it thrived and grew by 300% in 2008.

"Bank of Oak Ridge has brought 'real time' banking to me and our organization," said Shawn Poole. "If we need to make a large purchase or increase our credit line, all we have to do is drive a couple of miles and speak face to face with the decision makers."

It's true that in tough times you find out who your friends are. At Bank of Oak Ridge, we're proud to be friends to local businesses and individuals, whether they're trying to branch out or turn over a new leaf.





“When other lending institutions are holding back their funds for small businesses, Bank of Oak Ridge is going after us with open arms. If it weren't for our relationship with them, we definitely couldn't have sustained all of our growth over the past two years. They truly understand how to improve the community - by investing in small business. As a small business owner, if you are looking for a true 'Partnership' with a bank, Bank of Oak Ridge should be your choice 100% of the time. ”

- Shawn and Shawna Poole
Owners of Xpicor, Inc.,
Integrated Facility Services

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	December 31	
	2008	2007 (Restated)
Assets		
Cash and due from banks	\$ 3,988	\$ 6,125
Interest-bearing deposits with banks	2,314	3,983
Total cash and cash equivalents	6,302	10,108
Federal funds sold	3,282	8,493
Securities available-for-sale	35,594	18,155
Securities held-to-maturity (fair values of \$12,781 in 2008)	13,155	—
Federal Home Loan Bank Stock, at cost	1,462	1,093
Loans, net of allowance for loan losses of \$2,450 in 2008 and \$2,120 in 2007	243,031	210,701
Property and equipment, net	8,926	6,755
Foreclosed assets	1,508	—
Accrued interest receivable	1,297	1,219
Bank owned life insurance	4,431	4,269
Other assets	1,684	1,415
Total assets	\$ 320,672	\$ 262,208
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 18,181	\$ 14,771
Interest-bearing	252,423	203,745
Total deposits	270,604	218,516
Short-term debt	7,000	—
Long-term debt	15,000	16,000
Junior subordinated notes related to trust preferred securities	8,248	8,248
Accrued interest payable	502	553
Other liabilities	1,123	1,207
Total liabilities	302,477	244,524
Commitments and contingencies	—	—
Shareholders' equity		
Preferred stock, no par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, no par value; 50,000,000 shares authorized; 1,791,474 issued and outstanding in 2008 and 2007	15,831	15,831
Surplus	—	—
Retained earnings	2,470	1,590
Accumulated other comprehensive income (loss)	(106)	263
Total shareholders' equity	18,195	17,684
Total liabilities and shareholders' equity	\$ 320,672	\$ 262,208

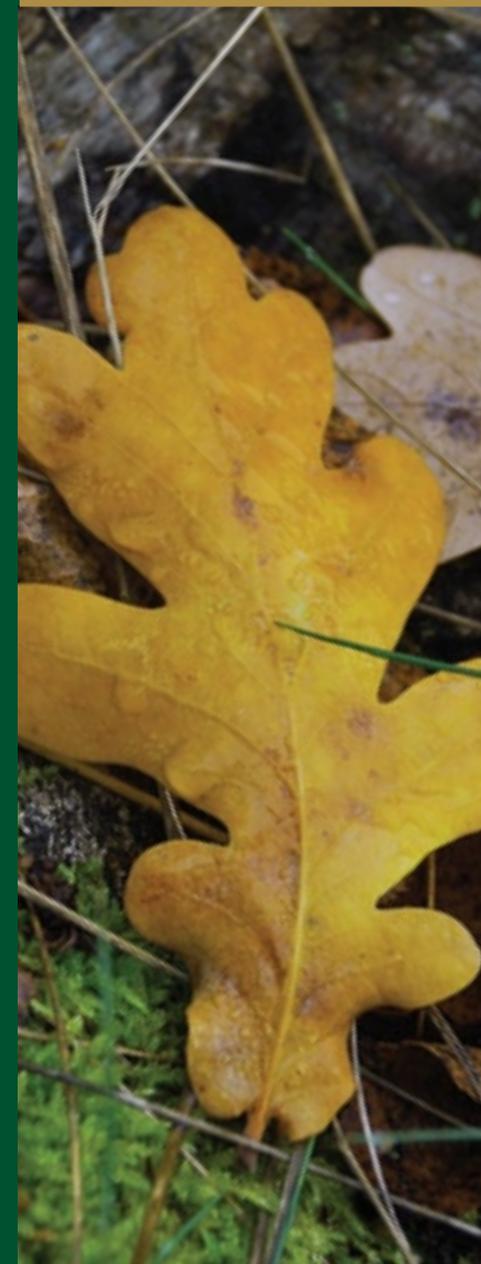
Refer to the Oak Ridge Financial Services, Inc. Annual Report on Form 10-K included with the proxy statement for the 2009 Annual Meeting for selected financial data and a complete set of financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands except per share information)

Years Ended December 31

	2008	2007 (Restated)	2006
Interest income			
Loans and fees on loans	\$ 15,738	\$ 14,895	\$ 11,345
Federal funds sold	148	287	230
Interest on deposits in banks	126	102	45
Federal Home Loan Bank stock dividends	50	69	64
Taxable investment securities	1,979	1,021	1,197
Total interest and dividend income	18,041	16,374	12,881
Interest expense			
Deposits	8,199	7,578	5,470
Federal funds purchased	2	7	3
Short-term and long-term debt	1,041	1,228	884
Total interest expense	9,242	8,813	6,357
Net interest income	8,799	7,561	6,524
Provision for loan losses	603	448	333
Net interest income after provision for loan losses	8,196	7,113	6,191
Noninterest income			
Service charges on deposit accounts	805	586	434
Impairment loss on securities	—	(495)	—
Loss on sale of securities	—	(228)	—
Mortgage loan origination fees	424	428	332
Investment and insurance commissions	814	925	827
Fee income from accounts receivable financing	743	351	169
Income earned on bank owned life insurance	162	161	156
Other service charges and fees	368	259	151
Total noninterest income	3,316	1,987	2,069
Noninterest expense			
Salaries and employee benefits	5,213	4,491	3,721
Occupancy expense	605	493	494
Equipment expense	600	555	513
Data and item processing	480	309	271
Professional and advertising	1,109	907	885
Stationery and supplies	247	199	173
Telecommunications expense	254	212	155
FDIC assessment	247	70	60
Accounts receivable financing expense	267	133	40
Other expense	866	772	491
Total noninterest expense	9,888	8,141	6,803
Income before income taxes	1,624	959	1,457
Income tax expense	586	347	198
Net income	\$ 1,038	\$ 612	\$ 1,259
Basic earnings per share	\$ 0.58	\$ 0.34	\$ 0.70
Diluted earnings per share	\$ 0.58	\$ 0.33	\$ 0.68
Basic weighted average shares outstanding	1,791,474	1,790,368	1,789,915
Diluted weighted average shares outstanding	1,791,474	1,827,328	1,860,318



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Oak Ridge Financial Services, Inc.
Oak Ridge, North Carolina

We have audited, in accordance with the standards of the Public Company Account Oversight Board (United States), the consolidated balance sheets of Oak Ridge Financial Services, Inc. and subsidiary as of December 31, 2008 and 2007, and the related consolidated statement of operations, shareholders' equity, comprehensive income and cash flows for each of the years in the three year period then ended (not presented herein), and in our report dated March 30, 2009, we expressed an unqualified opinion on those financial statements.

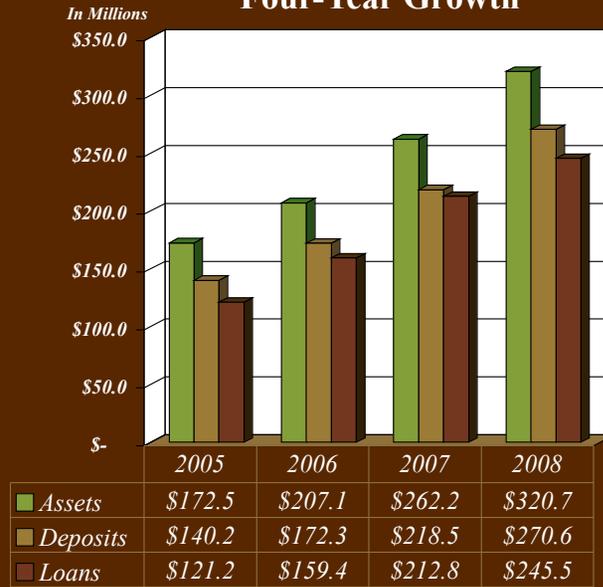
In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

As discussed in Note 17 to the financial statements included in the Annual Report on Form 10-K (not presented herein), the Company restated their 2007 financial statements, in response to a comment letter from the Securities and Exchange Commission.

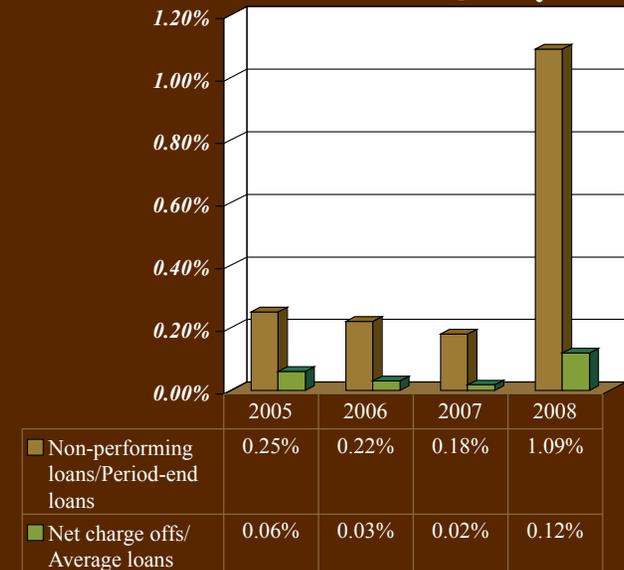
Elliott Davis, PLLC

Galax, Virginia
March 30, 2009

Four-Year Growth



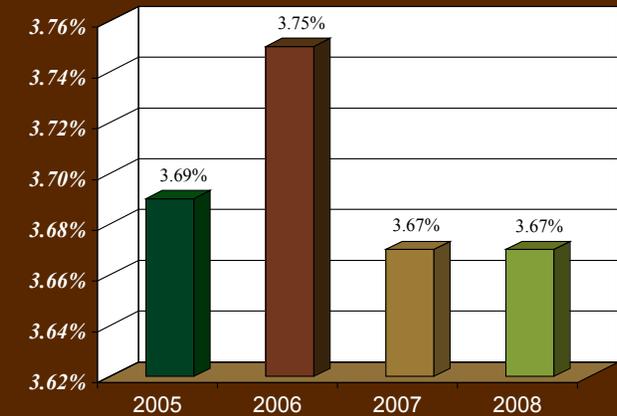
Asset Quality



Total Revenues



Net Interest Margin



Banking As It Should Be

Greensboro
Irving Park
2102 N. Elm Street
(336) 272-1250

Greensboro
New Garden Crossing
1597 New Garden Rd.
(336) 315-2400

Greensboro
Lake Jeanette
400 Pisgah Church Rd.
(336) 286-1900

Summerfield
4423 Highway 220 N.
(336) 644-7310

Oak Ridge
2211 Oak Ridge Rd.
(336) 644-9944

Open Early, Open Late! • 6-Day Branch Banking At All Locations!

SHAREHOLDER INFORMATION

To receive assistance with Bank of Oak Ridge accounts or services, or to obtain copies of the Oak Ridge Financial Services, Inc. reports on Forms 10-K and 10-Q filed with the SEC, go to www.bankofoakridge.com and click on "About Us," call (336) 644-9944, or write to the following address: P.O. Box 2, Oak Ridge, NC 27310. For shareholder inquiries concerning transferring ownership, address changes or lost or stolen stock certificates, please contact our transfer agent:

First Citizens Bank & Trust Company
Corporate Trust Department
P.O. Box 29622, Raleigh, NC 27626

Oak Ridge Financial Services, Inc. common stock is quoted on the NASDAQ Capital Market Securities under the trading symbol "BKOR."

ANNUAL MEETING

The Oak Ridge Financial Services, Inc. Annual Meeting will be held at 7:00 p.m. on June 11th at Bank of Oak Ridge, 2211 Oak Ridge Road, Oak Ridge, NC 27310.

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of Oak Ridge Financial Services, Inc.. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of Oak Ridge Financial Services, Inc. and on the information available to management at the time that these disclosures were prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate" and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Oak Ridge Financial Services, Inc. undertakes no obligation to update any forward-looking statements.

www.bankofoakridge.com

BOARD OF DIRECTORS



Listed front row left to right, back row left to right

BILLY R. KANOY

President, Kanoy Grading
& Landscaping, Inc.

FRANCIS R. DISNEY

President, Disney Construction Co., Inc.

STEPHEN S. NEAL

Vice President
Summerfield, Feed Mill, Inc.

HERBERT M. COLE

Retired, Senior Vice President, AMP, Inc.

CRAIG FLEMING

President, Fleming Engineering, Inc.

DOUGLAS G. BOIKE

President, Triad Consulting

LYNDA J. ANDERSON

Realtor, Broker, Consultant

RONALD O. BLACK

President & CEO, Bank of Oak Ridge

MANUEL L. PERKINS

Manager, MLP Construction Co., LLC

JOHN S. OLMSTED

President, Olmsted, Torney, Mohorn,
Mohorn, Morgan & Baird, DDS, PA

JAMES W. HALL

President, Streetcars Car Wash



Member FDIC



ENERGIZING – PROTECTING – NOURISHING – GROWING