



## **MEDIA ALERT**

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### **Oak Ridge Financial Services, Inc. Announces Second Quarter 2014 Net Income**

**Oak Ridge, NC: July 21, 2014** – Oak Ridge Financial Services, Inc. (“Oak Ridge”; the “Company”) (OTCQB: BKOR), the parent company of Bank of Oak Ridge (the “Bank”), announced unaudited financial results for the second quarter of 2014 today.

The Company recorded quarterly net income for the second quarter of 2014 of \$575,000 compared to net income of \$219,000 for the second quarter of 2013, an increase of \$356,000. Net income available to common shareholders for the second quarter of 2014 was \$402,000 compared to income available to common shareholders of \$41,000 for the second quarter of 2013, an increase of \$361,000. Diluted income per common share increased \$0.19 to \$0.21 for the second quarter of 2014 compared to diluted income per common share of \$0.02 in the second quarter of 2013.

The Company recorded quarterly net income for the six months ended June 30, 2014 of \$983,000 compared to net income of \$434,000 for the same period of 2013, an increase of \$549,000. Net income available to common shareholders for the six months ended June 30, 2014 was \$714,000 compared to income available to common shareholders of \$78,000 for the same period of 2013, an increase of \$636,000. Diluted income per common share increased \$0.33 to \$0.37 for the six months ended June 30, 2014 compared to diluted income per common share of \$0.04 in the same period of 2013.

Ron Black, President and CEO of the Company and the Bank, commented, “During the second quarter, the Company continued to grow loans and deposits while also improving its operating efficiency. From our various initiatives to become more efficient, we reduced our noninterest expense from \$3.4 million in the second quarter of 2013 to \$3.1 million in the second quarter of 2014, a decrease of \$337,000 or 9.9%. The Bank’s Employee Stock Ownership Plan was also able to purchase 113,493 shares of newly issued common stock of Oak Ridge Financial Services, Inc. near the end of June 2014, which added approximately \$900,000 in new common equity to the Company’s balance sheet. I am thankful for the support of our clients, shareholders, employees and Board of Directors as we improve the earnings of the Bank.”

Profitability as measured by the Company’s annualized return on average assets was 0.65% and 0.25% for the three months ended June 30, 2014 and 2013, respectively. For the six months ended June 30, 2014 and 2013, the annualized return on average assets was 0.56% and 0.25%, respectively.

The Company produced net interest income of \$3.4 million during the second three months of 2014, which was slightly higher than the \$3.3 million generated for the same time period of 2013. The increase was primarily caused by higher interest income, which increased \$142,000 or approximately 3.8% to \$3.9 million for the second three months of 2014 as compared to the same time period of the prior year. Interest expense decreased slightly to \$453,000 for the three months ended June 30, 2014 compared to \$458,000 for the same period in 2013.

The Company produced net interest income of \$6.7 million during the six months ended June 30, 2014, which was \$301,000 higher than the \$6.4 million generated for the same time period of 2013. The increase was primarily caused by higher interest income, which increased \$288,000 or approximately 3.9% to \$7.6 million for the six months ended June 30, 2014 as compared to the same time period of the prior year. Interest expense decreased slightly to \$900,000 for the six months ended June 30, 2014 compared to \$913,000 for the same period in 2013.

Noninterest income increased \$2,000 or approximately 0.3% to \$776,000 during the second three months of 2014 as compared to the same time period of 2013. The majority of the net increase was associated with increases in service charges on deposit accounts, gain on sale of securities, and other service charges and fees, offset by decreases in gain on sale of mortgage loans and fee income from accounts receivable financing,

Noninterest income decreased \$95,000 or approximately 5.8% to \$1.5 million during the six months ended June 30, 2014 as compared to the same time period of 2013. The majority of the net decrease was associated with decreases in gain on sale of mortgage loans and fee income from accounts receivable financing, offset by increases in service charges on deposit accounts, gain on sale of securities, and other service charges and fees.

Noninterest expense decreased \$337,000 or approximately 9.9% to \$3.1 million for the second three months of 2014 compared to \$3.4 million for the same time period of 2013. This decrease is largely due to declines in salaries, professional and advertising, net cost of foreclosed assets, and other expense. Employee benefits increased \$74,000 to \$263,000 in the three months ended June 30, 2014 from \$189,000 during the same period in 2013 largely due to a \$60,000 ESOP accrual in 2014 and no such accrual in 2013.

Noninterest expense decreased \$617,000 or approximately 9.1% to \$6.2 million for the six months ended June 30, 2014 compared to \$6.8 million for the same time period of 2013. This decrease is largely due to declines in salaries, professional and advertising, net cost of foreclosed assets, and other expense. Employee benefits increased \$162,000 to \$513,000 in the six months ended June 30, 2014 from \$351,000 during the same period in 2013 largely due to a \$120,000 ESOP accrual in 2014 and no such accrual in 2013.

Total assets as of June 30, 2014 were \$356.3 million, up approximately 2.2% or \$7.7 million from \$348.5 million as of December 31, 2013. The principal components of the Company's assets as of the end of the time period were \$266.7 million in net loans, \$15.9 million in cash and cash equivalents and \$54.6 million in available-for-sale and held-to-maturity investment securities. During the first six months of 2014, net loans increased to \$266.7 million, up approximately 2.3% or \$6.0 million from \$260.7 million as of December 31, 2013. Cash and cash equivalents increased approximately 16.4% or \$2.2 million from \$13.7 million as of December 31, 2013, and available-for-sale and held-to-maturity investment securities increased 0.9% or \$513,000 from \$54.1 million.

The allowance for loan losses was \$4.9 million as of June 30, 2014, which represented 1.79% of total loans outstanding. The allowance for loan losses was \$5.1 million, or 1.90% of total loans outstanding, as of December 31, 2013. Material improvements in asset quality over the last year lowered the Company's nonperforming assets to total assets to 1.60% as of June 30, 2014 compared to 2.31% as of December 31, 2013. Nonperforming assets decreased to \$5.7 million as of June 30, 2014 from \$8.1 million as of December 31, 2013. This 32% decrease has been driven by significant efforts by the Bank to dispose of nonperforming assets.

Total liabilities as of June 30, 2014 were \$328.3 million, up approximately 1.6% or \$5.3 million from \$323.1 million as of December 31, 2013. Higher levels of deposits drove the increase as interest-bearing deposits increased \$3.7 million or approximately 1.3% from December 31, 2013 to June 30, 2014. Other liabilities also contributed to the overall increase in total liabilities, one of which was a \$775,000 increase from December 31, 2013 to June 30, 2014 in a commitment related to an SBIC investment.

Total stockholders' equity as of June 30, 2014 was \$27.9 million as compared to total stockholders' equity as of December 31, 2013 of \$25.5 million. Most of the increase was a result of the Bank's Employee Stock Ownership Plan purchasing 113,493 shares of newly issued common stock of Oak Ridge Financial Services, Inc. near the end of June 2014, which added approximately \$900,000 in new common equity to the Company's balance sheet. Accumulated other comprehensive income increased from \$105,000 as of December 31, 2013 to \$870,000 as of June 30, 2014, driven by an increase in the market value of the Company's available-for-sale investment securities during that period of time. Net income of \$983,000 offset by a \$269,000 preferred dividend also contributed to the overall increase in stockholders' equity.

#### **About Oak Ridge Financial Services, Inc.**

Oak Ridge Financial Services, Inc. (OTCQB:BKOR) is the holding company for Bank of Oak Ridge. Bank of Oak Ridge (<http://www.BankofOakRidge.com>) is a community bank with locations in Greensboro, Summerfield and Oak Ridge, North Carolina. The bank was established in 2000 with the goal of delivering Banking As It Should Be®. With a focus on providing personal attention and convenience for every client, we offer a complete range of banking services for individuals and businesses including Saturday and extended weekday hours at all locations, ATM usage world-wide, remote deposits for businesses, and a full line of checking accounts; savings accounts; mortgage services; insurance services; lending options; and wealth management services. Bank of Oak Ridge is a Member FDIC and Equal Housing Lender. For more information, call 336-644-9944 or visit the office location closest to you.

**Forward-looking Information**

*This form contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management of the Company 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. Factors that could cause actual results to differ materially include, but are not limited to, (1) competition in the Company’s markets, (2) changes in the interest rate environment, (3) general national, regional or local economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and the possible impairment of collectibility of loans, (4) legislative or regulatory changes, including changes in accounting standards, (5) significant changes in the federal and state legal and regulatory environment and tax laws, (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations and (7) other risks and factors identified in the Company’s other filings with the Federal Deposit Insurance Corporation. The Company undertakes no obligation to update any forward-looking statements.*

**Oak Ridge Financial Services, Inc.**  
**Consolidated Balance Sheets**  
*June 30, 2014 and December 31, 2013*  
*(Dollars in thousands)*

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and due from banks .....	\$ 4,387	\$ 4,846
Interest-bearing deposits with banks .....	11,518	8,821
Total cash and cash equivalents .....	15,905	13,667
Securities available-for-sale .....	51,761	50,934
Securities held-to-maturity (fair values of \$3,014 in 2014 and \$3,244 in 2013) .....	2,805	3,119
Federal Home Loan Bank Stock, at cost .....	314	411
Loans held for sale .....	117	663
Loans, net of allowance for loan losses of \$4,868 in 2014 and \$5,049 in 2013 .....	266,690	260,704
Property and equipment, net .....	8,249	8,332
Foreclosed assets .....	495	1,010
Accrued interest receivable .....	1,354	1,454
Bank owned life insurance .....	5,269	5,209
Other assets .....	3,314	3,039
Total assets .....	<u>\$ 356,273</u>	<u>\$ 348,542</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing .....	\$ 38,452	\$ 38,073
Interest-bearing .....	277,564	273,897
Total deposits .....	316,016	311,970
Junior subordinated notes related to trust preferred securities .....	8,248	8,248
Accrued interest payable .....	93	80
Other liabilities .....	3,985	2,784
Total liabilities .....	<u>328,342</u>	<u>323,082</u>
<b>Stockholders' equity</b>		
Preferred stock, Series A, 7,700 shares authorized and outstanding; no par value, \$1,000 per share liquidation preference .....	7,691	7,691
Common stock, no par value; 50,000,000 shares authorized; 2,027,489 and 1,913,996 issued and outstanding in 2014 and 2013, respectively .....	18,254	17,262
Retained earnings .....	1,116	402
Accumulated other comprehensive income .....	870	105
Total stockholders' equity .....	<u>27,931</u>	<u>25,460</u>
Total liabilities and stockholders' equity .....	<u>\$ 356,273</u>	<u>\$ 348,542</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Operations**  
*For the three and six months ended June 30, 2014 and 2013*  
*(Dollars in thousands except per share data)*

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Interest and dividend income</b>				
Loans and fees on loans .....	\$ 3,338	\$ 3,221	\$ 6,580	\$ 6,398
Interest on deposits in banks .....	6	12	13	18
Federal Home Loan Bank stock dividends .....	4	3	7	6
Investment securities .....	508	478	1,042	932
Total interest and dividend income .....	3,856	3,714	7,642	7,354
<b>Interest expense</b>				
Deposits .....	413	417	820	833
Short-term and long-term debt .....	40	41	80	80
Total interest expense .....	453	458	900	913
Net interest income .....	3,403	3,256	6,742	6,441
<b>Provision for loan losses</b> .....	350	346	810	712
Net interest income after provision for loan losses .....	3,053	2,910	5,932	5,729
<b>Noninterest income</b>				
Service charges on deposit accounts .....	187	172	376	341
Gain on sale of securities .....	51	—	78	53
Gain (loss) on sale of property and equipment .....	1	(3)	15	(3)
Gain on sale of mortgage loans .....	24	102	72	247
Investment commissions .....	17	16	24	47
Insurance commissions .....	42	39	81	60
Fee income from accounts receivable financing .....	127	167	269	346
Debit card interchange income .....	225	226	422	428
Income earned on bank owned life insurance .....	30	33	59	66
Other service charges and fees .....	72	22	138	44
Total noninterest income .....	776	774	1,534	1,629
<b>Noninterest expense</b>				
Salaries .....	1,281	1,434	2,691	2,959
Employee benefits .....	263	189	513	351
Occupancy expense .....	194	178	423	379
Equipment expense .....	233	243	463	482
Data and item processing .....	295	258	596	481
Professional and advertising .....	245	396	450	727
Stationary and supplies .....	39	53	84	120
Net cost of foreclosed assets .....	51	108	15	209
Telecommunications expense .....	111	101	212	186
FDIC assessment .....	77	74	154	149
Accounts receivable financing expense .....	37	46	80	95
Other expense .....	237	320	493	653
Total noninterest expense .....	3,063	3,400	6,174	6,791
Income before income taxes .....	766	284	1,292	567
<b>Income tax expense</b> .....	191	65	309	133
<b>Net income</b> .....	\$ 575	\$ 219	\$ 983	\$ 434
Preferred stock dividends .....	(173)	(97)	(269)	(193)
Accretion of discount .....	—	(81)	—	(163)
<b>Net income available to common stockholders</b> .....	\$ 402	\$ 41	\$ 714	\$ 78
<b>Basic net income per common share</b> .....	\$ 0.21	\$ 0.02	\$ 0.37	\$ 0.04
<b>Diluted income per common share</b> .....	\$ 0.21	\$ 0.02	\$ 0.37	\$ 0.04
<b>Basic weighted average common shares outstanding</b> .....	1,920,232	1,810,946	1,920,232	1,810,946
<b>Diluted weighted average common shares outstanding</b> .....	1,926,341	1,810,946	1,926,306	1,810,946

**Oak Ridge Financial Services, Inc.**  
**Selected Financial Ratios**

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Return on average assets <sup>1</sup>	0.65%	0.47%	0.52%	0.49%
Return on average shareholders' equity <sup>1</sup>	8.70%	6.57%	6.17%	5.54%
Net interest margin <sup>1</sup>	4.06%	4.06%	4.04%	4.41%
Net interest income to average assets <sup>1</sup>	3.84%	3.85%	3.81%	4.14%
Efficiency ratio	73.3%	75.9%	76.5%	70.3%
Nonperforming assets to total assets	1.60%	2.04%	2.31%	2.31%

<sup>1</sup>Annualized