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MEDIA ALERT

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Oak Ridge Financial Services, Inc. Announces Third Quarter 2015 Net Income

Oak Ridge, NC: October 19, 2015 – 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 third quarter of 2015 today.

The Company’s net income for the third quarter of 2015 was \$826,000 compared to net income of \$539,000 for the third quarter of 2014, an increase of \$287,000. Net income available to common stockholders for the third quarter of 2015 was \$709,000 compared to net income available to common shareholders of \$366,000 for the third quarter of 2014, an increase of \$343,000. Basic and diluted income per common share increased \$0.14 to \$0.32 for the third quarter of 2015 compared to basic and diluted income per common share of \$0.18 in the third quarter of 2014.

The Company’s net income for the first nine months of 2015 was \$2.4 million compared to net income of \$1.5 million for the same period in 2014, an increase of \$873,000. Net income available to common stockholders for the first nine months of 2015 was \$2.0 million compared to net income of \$1.1 million for the same period in 2014, an increase of \$964,000. Basic and diluted income per common share increased \$0.38 to \$0.93 for the first nine months of 2015 compared to basic and diluted income per common share of \$0.55 for the same period in 2014.

Ron Black, President and CEO of the Company and the Bank, commented, “During the third quarter, the Company continued to focus on enhancing our basic core banking business. Both loans and noninterest-bearing deposits increased from December 31, 2014 to September 30, 2015, nonperforming assets significantly declined, and we continued to improve our efficiency ratio. I am thankful for the support of our clients, shareholders, employees and Board of Directors while we improve the earnings of the Bank.”

Profitability as measured by the Company’s annualized return on average assets was 0.92% and 0.60% for the three months ended September 30, 2015 and 2014, respectively.

The Company produced net interest income of \$3.3 million during the three months ended September 30, 2015, which was slightly lower than the \$3.4 million generated for the same time period of 2014. The decrease was caused by a combination of lower interest income and higher interest expense during the three months ended September 30, 2015 compared to the same period in 2014.

Noninterest income decreased \$47,000 or approximately 6.6% to \$661,000 during the three months ended September 30, 2015 as compared to the same time period of 2014. The majority of the net decrease was associated with decreases in gain on sale of securities, fee income from accounts receivable financing, and an increase in impairment loss on securities.

Noninterest expense was slightly lower in the three months ended September 30, 2015 compared to the same period in 2014. However, there were increases and decreases in expense categories from 2014 to 2015. Salaries were \$1.5 million for the three months ended September 30, 2015 compared to \$1.3 million during the same period in 2014. Most of the increase during the period was caused by higher incentive payments, higher contract labor, and higher commissions, as well as an increase in wages. Employee benefits were \$181,000 for the three months ended September 30, 2015 compared to \$289,000 during the same period in 2014. Lower Employee Stock Ownership Plan accruals, employee health insurance, and post-retirement benefit expenses contributed to most of the overall net decrease in employee benefits from 2014 to 2015. Equipment expense was \$192,000 for the three months ended September 30, 2015 compared to \$231,000 during the same period in 2014 due to lower depreciation expense in the three months ended September 30, 2015 compared to the same period in 2014. Other smaller increases and decreases in expense categories contributed to the remainder of the small net decrease in noninterest expense from 2014 to 2015.

The Company produced net interest income of \$10.0 million during the first nine months of 2015, which was slightly lower than \$10.2 million recorded for the same time period in 2014. The decrease was primarily caused by higher interest expense, which increased \$158,000 or approximately 11.6% to \$1.5 million for the nine months ended September 30, 2015 as compared to the same time period of the prior year. Interest income increased \$11,000 in the nine months ended September 30, 2015 to \$11.5 million, compared to the same period in 2014.

Noninterest income increased \$380,000 or approximately 16.9% to \$2.6 million during the nine months ended September 30, 2015 as compared to the same time period of 2014. The majority of the net increase was associated with gains on sale of securities of \$699,000 in the first nine months of 2015 compared to \$130,000 in the same time period in 2014. Offsetting this increase was a decrease in fee income from accounts receivable financing of \$155,000 to \$200,000 for the nine months ended September 30, 2015. Another factor offsetting the overall increase in noninterest income between the two periods was an impairment loss on securities of \$65,000 recorded in the nine months ended September 30, 2015. No impairment loss on securities was recorded during the same period in 2014. Smaller increases and decreases made up the remainder of the net increase in noninterest income in 2015 compared to 2014.

Noninterest expense was \$9.7 million for the nine months ended September 30, 2015 compared to \$9.2 million for the same period in 2014. Salaries increased due to higher incentive payments, higher contract labor, and higher commissions, as well as an increase in wages. Employee benefits decreased from 2014 to 2015 primarily due to lower post-retirement benefit expenses. Equipment expense decreased from 2014 to 2015 due to lower depreciation expense. Losses on disposals of other real estate owned caused the increase in net cost of foreclosed assets, and expenses associated with nonperforming assets contributed to the majority of the increase in other expenses. Other smaller increases and decreases in noninterest expense categories contributed to the overall increase in noninterest expense from 2014 to 2015.

Total assets as of September 30, 2015 were \$351.6 million, down approximately 1.7% or \$6.2 million from \$357.7 million as of December 31, 2014. The principal components of the Company's assets as of the end of the time period were \$273.5 million in net loans, \$11.3 million in cash and cash equivalents and \$48.9 million in available-for-sale and held-to-maturity securities. As of September 30, 2015, net loans were \$273.5 million, up approximately 0.9% or \$2.3 million from \$271.2 million as of December 31, 2014. Cash and cash equivalents decreased approximately 21.5% or \$3.1 million from \$14.4 million as of December 31, 2014, and available-for-sale and held-to-maturity investment securities decreased approximately 7.4% or \$3.9 million from \$52.9 million as of December 31, 2014.

The allowance for loan losses was \$3.8 million as of September 30, 2015, which represented 1.38% of total loans outstanding. The allowance for loan losses was \$4.2 million, or 1.52% of total loans outstanding, as of December 31, 2014. A decrease in nonaccrual loans caused nonperforming assets to total assets to decrease from 1.45% as of September 30, 2014 to 0.88% as of September 30, 2015. Nonperforming assets to total assets decreased from 1.31% as of December 31, 2014 to 0.88% as of September 30, 2015.

Total liabilities as of September 30, 2015 were \$322.8 million, down approximately 2.5% or \$8.1 million from \$330.9 million as of December 31, 2014. Lower levels of deposits drove the decrease as interest-bearing deposits decreased 4.6% or \$12.7 million from \$273.9 million as of December 31, 2014. An increase in noninterest-bearing deposits offset the overall decrease in deposits as they increased \$4.9 million or 12.4% from \$39.6 million as of December 31, 2014.

Total stockholders' equity as of September 30, 2015 was \$28.8 million as compared to total stockholders' equity as of December 31, 2014 of \$26.8 million. Increases from December 31, 2014 to September 30, 2015 in common stock of \$608,000 and net income of \$2.4 million, were offset by preferred dividends of \$351,000 and a \$636,000 decrease in accumulated other comprehensive income.

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, mobile banking, remote deposits for consumers and 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
September 30, 2015 (unaudited) and December 31, 2014 (audited)
(Dollars in thousands)

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 6,337 | \$ 7,279 |
| Interest-bearing deposits with banks | <u>4,972</u> | <u>7,132</u> |
| Total cash and cash equivalents..... | 11,309 | 14,411 |
| Securities available-for-sale | 46,996 | 50,389 |
| Securities held-to-maturity (fair values of \$2,128 in 2015 and \$2,683 in 2014)..... | 1,934 | 2,472 |
| Federal Home Loan Bank Stock, at cost | 426 | 426 |
| Loans held for sale | 119 | 864 |
| Loans, net of allowance for loan losses of \$3,827 in 2015 and \$4,191 in 2014..... | 273,514 | 271,205 |
| Property and equipment, net | 7,582 | 7,889 |
| Foreclosed assets..... | 83 | 450 |
| Accrued interest receivable | 1,175 | 1,343 |
| Bank owned life insurance | 5,413 | 5,329 |
| Other assets | <u>3,028</u> | <u>2,908</u> |
| Total assets | <u>\$ 351,579</u> | <u>\$ 357,686</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing..... | \$ 44,460 | \$ 39,556 |
| Interest-bearing | <u>261,216</u> | <u>273,936</u> |
| Total deposits | 305,676 | 313,492 |
| Federal funds purchased | 258 | - |
| Federal Home Loan Bank advances | 2,500 | 2,500 |
| Notes payable | 2,125 | 2,500 |
| Junior subordinated notes related to trust preferred securities..... | 8,248 | 8,248 |
| Accrued interest payable | 117 | 97 |
| Other liabilities | <u>3,846</u> | <u>4,055</u> |
| Total liabilities..... | <u>322,770</u> | <u>330,892</u> |
| Stockholders' equity | | |
| Preferred stock, Series A, no par value, \$1,000 per share liquidation preference; 7,700 shares authorized; 5,200 issued and outstanding in 2015 and 2014, respectively | 5,191 | 5,191 |
| Common stock, no par value; 50,000,000 shares authorized; 2,206,516 and 2,164,840 issued and outstanding in 2015 and 2014, respectively..... | 19,057 | 18,449 |
| Retained earnings | 3,873 | 1,830 |
| Accumulated other comprehensive income | <u>688</u> | <u>1,324</u> |
| Total stockholders' equity | <u>28,809</u> | <u>26,794</u> |
| Total liabilities and stockholders' equity..... | <u>\$ 351,579</u> | <u>\$ 357,686</u> |

Oak Ridge Financial Services, Inc.
Consolidated Statements of Operations
For the three and nine months ended September 30, 2015 and 2014
(Dollars in thousands except per share data)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest and dividend income | | | | |
| Loans and fees on loans..... | \$ 3,404 | \$ 3,381 | \$ 10,252 | \$ 9,961 |
| Interest on deposits in banks..... | 8 | 6 | 21 | 19 |
| Federal Home Loan Bank stock dividends | 5 | 3 | 14 | 10 |
| Investment securities | 389 | 497 | 1,253 | 1,539 |
| Total interest and dividend income..... | 3,806 | 3,887 | 11,540 | 11,529 |
| Interest expense | | | | |
| Deposits..... | 447 | 417 | 1,360 | 1,237 |
| Short-term and long-term debt..... | 47 | 41 | 156 | 121 |
| Total interest expense | 494 | 458 | 1,516 | 1,358 |
| Net interest income..... | 3,312 | 3,429 | 10,024 | 10,171 |
| Provision for loan losses | | | | |
| Net interest income after provision for loan losses..... | (250) | 350 | (525) | 1,160 |
| Net interest income after provision for loan losses..... | 3,562 | 3,079 | 10,549 | 9,011 |
| Noninterest income | | | | |
| Service charges on deposit accounts..... | 184 | 192 | 559 | 568 |
| Gain on sale of securities..... | 25 | 52 | 699 | 130 |
| Gain (loss) on sale of property and equipment | - | (11) | - | 4 |
| Gain on sale of mortgage loans | 28 | 18 | 101 | 90 |
| Investment commissions..... | 12 | 3 | 32 | 27 |
| Insurance commissions | 55 | 47 | 146 | 128 |
| Fee income from accounts receivable financing..... | 60 | 86 | 200 | 355 |
| Debit card interchange income | 230 | 220 | 664 | 642 |
| Income earned on bank owned life insurance..... | 28 | 30 | 84 | 89 |
| Impairment loss on securities | (29) | - | (65) | - |
| Other service charges and fees | 68 | 71 | 202 | 209 |
| Total noninterest income | 661 | 708 | 2,622 | 2,242 |
| Noninterest expense | | | | |
| Salaries | 1,475 | 1,298 | 4,390 | 3,989 |
| Employee benefits | 181 | 289 | 689 | 802 |
| Occupancy expense | 177 | 181 | 568 | 604 |
| Equipment expense..... | 192 | 231 | 561 | 694 |
| Data and item processing..... | 364 | 321 | 983 | 917 |
| Professional and advertising..... | 201 | 208 | 577 | 658 |
| Stationary and supplies..... | 52 | 46 | 193 | 130 |
| Net cost of foreclosed assets..... | (18) | 9 | 262 | 24 |
| Telecommunications expense..... | 79 | 83 | 340 | 295 |
| FDIC assessment | 56 | 73 | 194 | 227 |
| Accounts receivable financing expense..... | 18 | 27 | 61 | 107 |
| Other expense | 233 | 266 | 878 | 759 |
| Total noninterest expense | 3,010 | 3,032 | 9,696 | 9,206 |
| Income before income taxes | 1,213 | 755 | 3,475 | 2,047 |
| Income tax expense | 387 | 216 | 1,080 | 525 |
| Net income | \$ 826 | \$ 539 | \$ 2,395 | \$ 1,522 |
| Preferred stock dividends | (117) | (173) | (351) | (442) |
| Net income available to common stockholders | \$ 709 | \$ 366 | \$ 2,044 | \$ 1,080 |
| Basic net income per common share | \$ 0.32 | \$ 0.18 | \$ 0.93 | \$ 0.55 |
| Diluted income per common share | \$ 0.32 | \$ 0.18 | \$ 0.93 | \$ 0.55 |
| Basic weighted average common shares outstanding | 2,201,392 | 2,062,693 | 2,186,653 | 1,965,830 |
| Diluted weighted average common shares outstanding | 2,211,267 | 2,069,225 | 2,195,744 | 1,972,332 |

Oak Ridge Financial Services, Inc.
Selected Quarterly Financial Ratios (unaudited)

| Selected Financial Ratios | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|
| Return on average assets ¹ | 0.92% | 0.95% | 0.80% | 0.61% | 0.60% |
| Return on average common stockholders' equity ¹ | 12.59% | 13.39% | 10.96% | 6.43% | 6.97% |
| Net interest margin ¹ | 3.92% | 3.92% | 3.97% | 3.98% | 4.02% |
| Net interest income to average assets ¹ | 3.69% | 3.73% | 3.78% | 3.77% | 3.83% |
| Efficiency ratio | 75.8% | 76.3% | 77.7% | 76.0% | 73.3% |
| Nonperforming assets to total assets | 0.88% | 1.14% | 1.47% | 1.31% | 1.45% |

¹Annualized