

MEDIA ALERT

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Oak Ridge Financial Services, Inc. Announces 2014 Financial Results

Oak Ridge, NC: January 26, 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 2014 today.

The Company recorded quarterly net income for the fourth quarter of 2014 of \$544,000 compared to net income of \$462,000 for the fourth quarter of 2013, an increase of \$82,000. Net income available to common shareholders for the fourth quarter of 2014 was \$348,000 compared to income available to common shareholders of \$285,000 for the fourth quarter of 2013, an increase of \$63,000. Basic and diluted income per common share increased \$0.02 to \$0.17 for the fourth quarter of 2014 compared to diluted income per common share of \$0.15 in the fourth quarter of 2013.

The Company recorded net income for the year ended December 31, 2014 of \$2.1 million compared to net income of \$1.3 million for 2013, an increase of \$747,000. Net income available to common shareholders for the year ended December 31, 2014 was \$1.4 million compared to income available to common shareholders of \$610,000 for 2013, an increase of \$818,000. Basic income per common share increased \$0.39 to \$0.72 for the year ended December 31, 2014 compared to basic income per common share of \$0.33 in 2013. Diluted income per common share increased \$0.38 to \$0.71 for the year ended December 31, 2014 compared to diluted income per common share of \$0.33 in 2013.

Ron Black, President and CEO of the Company and the Bank, commented, “During the year, the Company continued to grow loans and improve our profitability, while decreasing nonperforming assets for the fifth consecutive quarter. I am most grateful for the support and contributions of our clients, shareholders, employees and Board of Directors during 2014.”

Profitability as measured by the Company’s annualized return on average assets was 0.61% and 0.52% for the three months ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2014 and 2013, the annualized return on average assets was 0.58% and 0.38%, respectively.

The Company produced net interest income of \$3.4 million during the three months ended December 31, 2014, which was approximately the same as the net interest income for the same period in 2013. Interest expense increased slightly to \$466,000 for the three months ended December 31, 2014 compared to \$458,000 for the same period in 2013.

The Company produced net interest income of \$13.6 million during the year ended December 31, 2014, which was \$153,000 higher than the \$13.4 million generated for the same time period of 2013. The increase was primarily caused by higher interest income, which increased \$169,000 or approximately 1.1% to \$15.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Interest expense increased slightly to \$1.8 million for the year ended December 31, 2014 and was essentially unchanged compared to the same period in 2013.

Noninterest income decreased \$42,000 or approximately 5.3% to \$754,000 during the three months ended December 31, 2014 as compared to the same time period in 2013. The majority of the net decrease was associated with decreases in fee income from accounts receivable and other noninterest income, offset by increases in service charges on deposit accounts and gain on sale of securities.

Noninterest income decreased \$119,000 or approximately 3.8% to \$3.0 million during the year ended December 31, 2014 as compared to the same time period in 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 was essentially unchanged at \$3.1 million for the three months ended December 31, 2014 compared to the same time period of 2013. There were small increases and decreases in a number of noninterest expense categories. Employee benefits increased \$42,000 or 20.3% to \$249,000 during the three months ended December 31, 2014 as compared to the same time period in 2013. This was largely due to increases in employee benefits and post-retirement benefit costs.

Noninterest expense decreased \$635,000 or approximately 4.9% to \$12.4 million for the year ended December 31, 2014 compared to \$13.0 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 \$296,000 to \$1.1 million in the year ended December 31, 2014 from \$755,000 during the same period in 2013 largely due to a \$240,000 ESOP expense accrual in 2014 and a \$90,000 accrual in 2013, as well as increased post-retirement benefit costs in 2014 compared to 2013.

Total assets as of December 31, 2014 were \$357.7 million, up approximately 2.6% or \$9.1 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 \$271.2 million in net loans, \$14.4 million in cash and cash equivalents and \$52.9 million in available-for-sale and held-to-maturity investment securities. During the first year of 2014, net loans increased to \$271.2 million, up approximately 4.0% or \$10.5 million from \$260.7 million as of December 31, 2013. Cash and cash equivalents increased approximately 5.4% or \$744,000 from \$13.7 million as of December 31, 2013, and available-for-sale and held-to-maturity investment securities decreased 2.2% or \$1.2 million to \$52.9 million as of December 31, 2014 from \$54.1 million as of December 31, 2013.

The allowance for loan losses was \$4.2 million as of December 31, 2014, which represented 1.52% of total loans outstanding. The allowance for loan losses was \$5.0 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 1.31% as of December 31, 2014 compared to 2.31% as of December 31, 2013. Nonperforming assets decreased to \$4.7 million as of December 31, 2014 from \$8.1 million as of December 31, 2013. This 42% decrease has been driven by significant efforts by the Bank to dispose of nonperforming assets.

Total liabilities as of December 31, 2014 were \$330.9 million, up approximately 2.4% or \$7.8 million from \$323.1 million as of December 31, 2013. Higher levels of deposits drove the increase as non-interest and interest-bearing deposits increased \$1.5 million or approximately 0.5% from December 31, 2013 to December 31, 2014. Borrowings increased to \$5.0 million as of December 31, 2014 with no borrowings as of December 31, 2013. Other liabilities also contributed to the overall increase in total liabilities, of which the primary driver of the overall increase was a \$699,000 increase from December 31, 2013 to December 31, 2014 in a commitment related to an SBIC investment.

Total stockholders' equity as of December 31, 2014 was \$26.8 million as compared to total stockholders' equity as of December 31, 2013 of \$25.5 million. Part of the increase in stockholders' equity 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 \$1.3 million as of December 31, 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 \$2.1 million offset by preferred dividends of \$639,000 also contributed to the overall net increase in stockholders' equity. Preferred dividends of \$639,000 offset the overall net 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, 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 collectability 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
December 31, 2014 and December 31, 2013
(Dollars in thousands)

	<u>(Unaudited)</u> <u>2014</u>	<u>(Audited)</u> <u>2013</u>
Assets		
Cash and due from banks	\$ 4,779	\$ 4,846
Interest-bearing deposits with banks	7,132	8,821
Total cash and cash equivalents	14,411	13,667
Securities available-for-sale	50,389	50,934
Securities held-to-maturity (fair values of \$2,683 in 2014 and \$3,244 in 2013)	2,472	3,119
Federal Home Loan Bank Stock, at cost	426	411
Loans held for sale	864	663
Loans, net of allowance for loan losses of \$4,191 in 2014 and \$5,049 in 2013.....	271,205	260,704
Property and equipment, net	7,889	8,332
Foreclosed assets.....	450	1,010
Accrued interest receivable.....	1,343	1,454
Bank owned life insurance.....	5,329	5,209
Other assets	2,908	3,039
Total assets	<u>\$ 357,686</u>	<u>\$ 348,542</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 39,556	\$ 38,073
Interest-bearing	273,936	273,897
Total deposits	313,492	311,970
Short-term borrowings	5,000	—
Junior subordinated notes related to trust preferred securities.....	8,248	8,248
Accrued interest payable	97	80
Other liabilities.....	4,055	2,784
Total liabilities.....	<u>330,892</u>	<u>323,082</u>
Stockholders' equity		
Preferred stock, Series A, no par value, \$1,000 per share liquidation preference; 7,700 shares authorized; 5,200 and 7,700 issued and outstanding in 2014 and 2013, respectively and outstanding;	5,191	7,691
Common stock, no par value; 50,000,000 shares authorized; 2,164,840 and 1,913,996 issued and outstanding in 2014 and 2013, respectively	18,450	17,262
Retained earnings	1,829	402
Accumulated other comprehensive income.....	1,324	105
Total stockholders' equity	<u>26,794</u>	<u>25,460</u>
Total liabilities and stockholders' equity.....	<u>\$ 357,687</u>	<u>\$ 348,542</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Operations (unaudited)
For the three months and years ended December 31, 2014 and 2013
(Dollars in thousands except per share data)

	Three months ended December 31,		Years ended December 31,	
	2014	2013	2014	2013
Interest and dividend income				
Loans and fees on loans.....	\$ 3,380	\$ 3,285	\$ 13,341	\$ 13,207
Interest on deposits in banks.....	6	6	24	32
Federal Home Loan Bank stock dividends.....	3	3	14	11
Investment securities.....	466	539	2,006	1,967
Total interest and dividend income.....	<u>3,855</u>	<u>3,833</u>	<u>15,385</u>	<u>15,217</u>
Interest expense				
Deposits.....	425	418	1,663	1,646
Short-term and long-term debt.....	41	40	161	162
Total interest expense.....	<u>466</u>	<u>459</u>	<u>1,824</u>	<u>1,808</u>
Net interest income.....	3,389	3,374	13,561	13,409
Provision for loan losses	<u>222</u>	<u>359</u>	<u>1,382</u>	<u>1,638</u>
Net interest income after provision for loan losses.....	<u>3,167</u>	<u>3,015</u>	<u>12,179</u>	<u>11,771</u>
Noninterest income				
Service charges on deposit accounts.....	203	188	770	722
Gain on sale of securities.....	102	68	233	96
Gain (loss) on sale of property and equipment.....	-	3	4	3
Gain on sale of mortgage loans.....	35	40	125	355
Investment commissions.....	5	2	32	52
Insurance commissions.....	40	33	168	135
Fee income from accounts receivable financing.....	67	126	423	604
Debit card interchange income.....	211	214	853	863
Income earned on bank owned life insurance.....	30	32	120	131
Impairment loss on securities.....	(6)	—	(6)	—
Other service charges and fees.....	67	90	276	156
Total noninterest income.....	<u>754</u>	<u>796</u>	<u>2,998</u>	<u>3,117</u>
Noninterest expense				
Salaries.....	1,344	1,321	5,333	5,642
Employee benefits.....	249	207	1,051	755
Occupancy expense.....	188	181	792	732
Equipment expense.....	242	260	936	968
Data and item processing.....	310	325	1,228	1,057
Professional and advertising.....	243	218	900	1,189
Stationary and supplies.....	67	52	197	211
Net cost of foreclosed assets.....	39	67	62	307
Telecommunications expense.....	93	100	388	398
FDIC assessment.....	73	74	301	301
Accounts receivable financing expense.....	21	35	127	165
Other expense.....	279	350	1,041	1,267
Total noninterest expense.....	<u>3,148</u>	<u>3,190</u>	<u>12,356</u>	<u>12,992</u>
Income before income taxes.....	773	622	2,821	1,896
Income tax expense	<u>229</u>	<u>160</u>	<u>754</u>	<u>576</u>
Net income	<u>\$ 544</u>	<u>\$ 462</u>	<u>\$ 2,067</u>	<u>\$ 1,320</u>
Preferred stock dividends.....	(196)	(96)	(639)	(385)
Accretion of discount.....	—	(81)	—	(325)
Net income available to common stockholders	<u>348</u>	<u>\$ 285</u>	<u>\$ 1,428</u>	<u>\$ 610</u>
Basic net income per common share	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.72</u>	<u>\$ 0.33</u>
Diluted income per common share	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.71</u>	<u>\$ 0.33</u>
Basic weighted average common shares outstanding	<u>2,096,845</u>	<u>1,858,321</u>	<u>1,994,436</u>	<u>1,821,031</u>
Diluted weighted average common shares outstanding	<u>2,103,833</u>	<u>1,858,321</u>	<u>2,000,865</u>	<u>1,821,031</u>

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

Selected Financial Ratios ¹	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Return on average assets	0.61%	0.60%	0.65%	0.47%	0.52%
Return on average common shareholders' equity	6.43%	6.97%	8.70%	6.57%	6.19%
Net interest margin	3.98%	4.02%	4.06%	4.06%	4.04%
Net interest income to average assets	3.77%	3.83%	3.84%	3.85%	3.81%
Efficiency ratio	76.0%	73.3%	73.3%	75.9%	76.5%
Nonperforming assets to total assets	1.31%	1.45%	1.60%	2.04%	2.31%

¹Annualized