



MEDIA ALERT

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Oak Ridge Financial Services, Inc. Announces First Quarter 2014 Net Income

Oak Ridge, NC: April 23, 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 first quarter of 2014 today.

The Company’s net income for the first quarter of 2014 was \$408,000 compared to net income of \$215,000 for the first quarter of 2013, an increase of \$193,000. Net income available to common shareholders for the first quarter of 2014 was \$312,000 compared to net income of \$38,000 for the first quarter of 2013, an increase of \$274,000. Diluted income per common share increased \$0.14 to \$0.16 for the first quarter of 2014 compared to diluted income per common share of \$0.02 in the first quarter of 2013.

Ron Black, President and CEO of the Company and the Bank, commented, “During the first quarter, the Company continued to focus on enhancing its basic core banking business 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 first quarter of 2013 to \$3.1 million in the first quarter of 2014, a decrease of \$294,000 or 9.5%. 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 0.47% and 0.26% for the three months ended March 31, 2014 and 2013, respectively.

The Company produced net interest income of \$3.3 million during the first three months of 2014, which was slightly higher than the \$3.2 million generated for the same time period of 2013. The increase was primarily caused by higher interest income, which increased \$146,000 or approximately 4.0% to \$3.8 million for the first three months of 2014 as compared to the same time period of the prior year. Interest expense decreased slightly to \$447,000 for the three months ended March 31, 2014 compared to \$456,000 for the same period in 2013.

The allowance for loan losses was \$5.1 million as of March 31, 2014, which represented 1.91% 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 2.04% as of March 31, 2014 compared to 3.5% as of March 31, 2013. Nonperforming assets decreased to \$7.3 million as of March 31, 2014 from \$12.3 million as of March 31, 2013. This 40.9% decrease has been driven by significant efforts by the Bank to dispose of nonperforming assets.

Noninterest income decreased \$111,000 or approximately 12.8% to \$758,000 during the first three months of 2014 as compared to the same time period of 2013. The majority of the net decline was associated with a \$98,000 decrease in gain on sale of mortgage loans as a result of lower refinance activity in 2014 as compared to 2013.

Noninterest expense decreased \$294,000 or approximately 8.6% to \$3.1 million for the first 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 surplus (cost) of foreclosed assets, and other expense. Employee benefits increased \$87,000 to \$249,000 in the three months ended March 31, 2014 from \$162,000 during the same period in 2013 largely due to a \$60,000 ESOP accrual in 2014 and no such accrual in 2013.

Total assets as of March 31, 2014 were \$356.3 million, up approximately 2.2% or \$7.8 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 \$264.0 million in net loans, \$22.3 million in cash and cash equivalents and \$50.8 million in available-for-sale and held-to-maturity securities. During the first three months of 2014, net loans were \$264 million, up approximately 1.2% or \$3.2 million from \$260.7 million as of December 31, 2013. Cash and cash equivalents increased approximately 63.2% or \$8.6 million from \$13.7 million as of December 31, 2013, and available-for-sale and held-to-maturity investment securities decreased approximately 6.0% or \$3.3 million from \$54.1 million.

Total liabilities as of March 31, 2014 were \$329.9 million, up approximately 2.1% or \$6.8 million from \$323.1 million as of December 31, 2013. Higher levels of deposits drove the increase as interest-bearing deposits increased \$5.0 million or approximately 1.8% from December 31, 2013 to March 31, 2014. Other liabilities also contributed to the overall increase in total liabilities. One of which was a \$775,000 increase in a commitment related to an SBIC investment.

Total stockholders' equity as of March 31, 2014 was \$26.4 million as compared to total stockholders' equity as of December 31, 2013 of \$25.5 million. Most of the increase was a result of a increase in accumulated other comprehensive income from \$105,000 as of December 31, 2013 to \$687,000 as of March 31, 2014, driven by a increase in the market value of the Company's available-for-sale investment securities during that period of time. Net income of \$408,000 offset by a \$96,000 preferred dividend 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.

Consolidated Balance Sheets
March 31, 2014 (unaudited) and December 31, 2013 (audited)
(Dollars in thousands)

	<u>2014</u>	<u>2013</u>
Assets		
Cash and due from banks.....	\$ 4,484	\$ 4,846
Interest-bearing deposits with banks.....	17,823	8,821
Total cash and cash equivalents.....	22,307	13,667
Securities available-for-sale.....	47,840	50,934
Securities held-to-maturity (fair values of \$3,168 in 2014 and \$3,244 in 2013).....	2,952	3,119
Federal Home Loan Bank Stock, at cost.....	314	411
Loans held for sale.....	—	663
Loans, net of allowance for loan losses of \$5,128 in 2014 and \$5,049 in 2013.....	263,949	260,704
Property and equipment, net.....	8,306	8,332
Foreclosed assets.....	860	1,010
Accrued interest receivable.....	1,264	1,454
Bank owned life insurance.....	5,239	5,209
Other assets.....	3,287	3,039
Total assets.....	<u>\$ 356,318</u>	<u>\$ 348,542</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing.....	\$ 38,767	\$ 38,073
Interest-bearing.....	278,924	273,897
Total deposits.....	317,691	311,970
Junior subordinated notes related to trust preferred securities.....	8,248	8,248
Accrued interest payable.....	88	80
Other liabilities.....	3,891	2,784
Total liabilities.....	<u>329,918</u>	<u>323,082</u>
Commitments and contingencies (Notes 6 and 12)		
Stockholders' equity		
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; 1,913,996 issued and outstanding in 2014 and 2013.....	17,308	17,262
Common stock warrants.....	—	—
Retained earnings.....	714	402
Accumulated other comprehensive income.....	687	105
Total stockholders' equity.....	<u>26,400</u>	<u>25,460</u>
Total liabilities and stockholders' equity.....	<u>\$ 356,318</u>	<u>\$ 348,542</u>

Consolidated Statements of Operations
For the three months ended March 31, 2014 and 2013 (Unaudited)
(Dollars in thousands except per share data)

	2014	2013
Interest and dividend income		
Loans and fees on loans	\$ 3,242	\$ 3,177
Interest on deposits in banks	7	7
Federal Home Loan Bank stock dividends	4	3
Taxable investment securities	534	454
Total interest and dividend income	<u>3,787</u>	<u>3,641</u>
Interest expense		
Deposits	407	416
Short-term and long-term debt	40	40
Total interest expense	<u>447</u>	<u>456</u>
Net interest income	3,340	3,185
Provision for loan losses	460	366
Net interest income after provision for loan losses	<u>2,880</u>	<u>2,819</u>
Noninterest income		
Service charges on deposit accounts	189	169
Gain on sale of securities	27	54
Gain on sale of property and equipment	14	—
Gain on sale of mortgage loans	47	145
Investment commissions	7	31
Insurance commissions	40	21
Fee income from accounts receivable financing	142	179
Debit card interchange income	196	201
Income earned on bank owned life insurance	30	34
Other service charges and fees	66	35
Total noninterest income	<u>758</u>	<u>869</u>
Noninterest expense		
Salaries	1,410	1,524
Employee benefits	249	162
Occupancy	229	202
Equipment	230	241
Data and item processing	302	239
Professional and advertising	204	343
Stationary and supplies	45	67
Net surplus (cost) of foreclosed assets	(36)	101
Telecommunications	101	85
FDIC assessment	78	74
Accounts receivable financing	43	49
Other expense	256	318
Total noninterest expense	<u>3,111</u>	<u>3,405</u>
Income before income taxes	527	283
Income tax expense	119	68
Net income	<u>\$ 408</u>	<u>\$ 215</u>
Preferred stock dividends	(96)	(96)
Accretion of discount	—	(81)
Income available to common stockholders	<u>\$ 312</u>	<u>\$ 38</u>
Basic income per common share	<u>\$ 0.16</u>	<u>\$ 0.02</u>
Diluted income per common share	<u>\$ 0.16</u>	<u>\$ 0.02</u>
Basic weighted average shares outstanding	<u>1,913,996</u>	<u>1,810,946</u>
Diluted weighted average shares outstanding	<u>1,913,996</u>	<u>1,810,946</u>