

## **MEDIA ALERT**

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### **Oak Ridge Financial Services, Inc. Announces 2015 Financial Results**

**Oak Ridge, NC: January 25, 2016** – Oak Ridge Financial Services, Inc. (“Oak Ridge”; the “Company”) (OTCPink: BKOR), the parent company of Bank of Oak Ridge (the “Bank”), announced unaudited financial results for 2015 today.

The Company recorded quarterly net income for the fourth quarter of 2015 of \$572,000 compared to net income of \$544,000 for the fourth quarter of 2014, an increase of \$28,000. Net income available to common shareholders for the fourth quarter of 2015 was \$455,000 compared to income available to common shareholders of \$348,000 for the fourth quarter of 2014, an increase of \$107,000. Basic and diluted income per common share increased \$0.04 to \$0.21 for the fourth quarter of 2015 compared to diluted income per common share of \$0.17 in the fourth quarter of 2014.

The Company recorded net income for the year ended December 31, 2015 of \$3.0 million compared to net income of \$2.1 million for 2014, an increase of \$900,000. Net income available to common shareholders for the year ended December 31, 2015 was \$2.5 million compared to income available to common shareholders of \$1.4 million for 2014, an increase of \$1.1 million. Basic income per common share increased \$0.42 to \$1.14 for the year ended December 31, 2015 compared to basic income per common share of \$0.72 in 2014. Diluted income per common share increased \$0.43 to \$1.14 for the year ended December 31, 2015 compared to diluted income per common share of \$0.71 in 2014.

Ron Black, President and CEO of the Company and the Bank, commented, “During the year, the Company continued to grow loans and noninterest deposits, improve our profitability, and decrease nonperforming assets. I am most grateful for the support and contributions of our employees, clients, shareholders, and Board of Directors during 2015.”

Profitability as measured by the Company’s annualized return on average assets was 0.64% and 0.61% for the three months ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2015 and 2014, the annualized return on average assets was 0.83% and 0.58%, respectively.

The Company produced net interest income of \$3.3 million during the three months ended December 31, 2015, which was down slightly from \$3.4 million recorded for the same period in 2014. Interest expense increased to \$511,000 for the three months ended December 31, 2015 compared to \$466,000 for the same period in 2014.

The Company produced net interest income of \$13.3 million during the year ended December 31, 2015, which was \$239,000 lower than the \$13.6 million generated for the same time period of 2014. The decrease was primarily caused by higher interest expense, which increased \$203,000 or approximately 11.1% to \$2.0 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Interest income decreased slightly to \$15.4 million for the year ended December 31, 2015 and was essentially unchanged compared to the same period in 2014.

Noninterest income decreased \$105,000 or approximately 13.9% to \$649,000 during the three months ended December 31, 2015 as compared to the same time period in 2014. The majority of the net decrease was associated with a gain on the sale of securities of \$102,000 during the three months ended December 31, 2014 compared to no gain on the sale of securities during the same period in 2015.

Noninterest income decreased \$273,000 or approximately 9.1% to \$3.3 million during the year ended December 31, 2015 as compared to the same time period in 2014. The majority of the net increase was associated with a \$466,000 increase in gain on sale of securities from 2014 to 2015, offset by a \$167,000 decrease in fee income from accounts receivable financing from 2014 to 2015. Other smaller increases and decreases in other noninterest income categories accounted for the remainder of the decrease in noninterest income.

Noninterest expense decreased \$118,000, or 3.7%, during the year ended December 31, 2015 as compared to the same time period in 2014. There were increases and decreases in a number of noninterest expense categories. Salaries, occupancy expense, and data and items processing increased \$183,000, \$2,000, and \$59,000, respectively, from the three months ended December 31, 2014 compared to the same time period in 2015. Salaries increased due to higher restricted stock expense, merit increases, and higher incentive payments during the three months ended December 31, 2015 as compared to the same period in

2014. Data and items processing expense increased due to the addition of a new mobile banking system and a conversion to a new bill payment system in 2015. A number of expenses declined from the three months ended December 31, 2014 to the same period in 2015. The most significant decreases in expense categories were declines from 2014 to 2015 were in employee benefits, equipment expense, professional and advertising, net cost of foreclosed assets, and other expenses of \$89,000, \$54,000, \$43,000, \$41,000 and \$76,000, respectively. Employee benefits declined primarily due to an Employee Stock Ownership Plan expense of \$60,000 in 2015 with no expense in 2014, equipment expense declined primarily due to lower depreciation expense in 2015 compared to 2014, professional and advertising expense declined primarily due to lower consultant and bank service fees in 2015 and 2014, net cost of foreclosed assets decreased due to lower foreclosed assets in 2015 compared to 2014, and other expense declined primarily due to lower debit card losses in 2015 compared to 2014.

Noninterest expense increased \$370,000 or approximately 3.0% to \$12.7 million for the year ended December 31, 2015 compared to \$12.4 million for the same time period of 2014. The biggest contributors to the overall increase in noninterest expense were increases in salaries, data and items processing and net cost of foreclosed assets of \$584,000, \$124,000 and \$197,000, respectively. Salaries increased from 2014 to 2015 primarily due to higher restricted stock expense as well as merit increases and higher incentive payments. Data and items processing expense increased due to the addition of a new mobile banking system and a conversion to a new bill payment system in 2015. Net cost of foreclosed assets increased primarily due to the write-off of one foreclosed property of \$200,000 in the first three months of 2015. The most significant decreases in expense categories were declines from 2014 to 2015 in employee benefits, equipment expense and professional and advertising of \$202,000, \$187,000, and \$123,000, respectively. Employee benefits declined primarily due to lower Employee Stock Ownership Plan and post-retirement benefit expenses in 2015 compared to 2014, equipment expense declined primarily due to lower depreciation expense in 2015 compared to 2014, and professional and advertising expense declined primarily due to lower audit, consultant and bank service fees in 2015 compared to 2014.

Total assets as of December 31, 2015 were \$361.2 million, up approximately 1.0% or \$3.5 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 \$276.0 million in net loans, \$18.0 million in cash and cash equivalents and \$48.3 million in available-for-sale and held-to-maturity investment securities. During the first year of 2015, net loans increased to \$276.0 million, up approximately 1.8% or \$4.8 million from \$271.2 million as of December 31, 2014. Cash and cash equivalents increased approximately 25.1% or \$3.6 million from \$14.4 million as of December 31, 2014, and available-for-sale and held-to-maturity investment securities decreased 8.6% or \$4.6 million to \$48.3 million as of December 31, 2015 from \$52.9 million as of December 31, 2014.

The allowance for loan losses was \$3.9 million as of December 31, 2015, which represented 1.39% 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. Improvements in asset quality over the last year lowered the Company's nonperforming assets to total assets to 0.85% as of December 31, 2015 compared to 1.31% as of December 31, 2014. Nonperforming assets decreased to \$3.1 million as of December 31, 2015 from \$4.7 million as of December 31, 2014. This 35% decrease has been driven by significant efforts by the Bank to dispose of nonperforming assets.

Total liabilities as of December 31, 2015 were \$331.5 million, up approximately 0.2% or \$637,000 from \$331.0 million as of December 31, 2014. Deposits declined \$4.9 million from 2014 to 2015, with noninterest-bearing deposits increasing \$4.0 million and interest-bearing deposits decreasing \$8.9 million. Federal Home Loan Bank advances increased \$6.0 million from 2014 to 2015 and notes payable decreased \$500,000 during the same period of time.

Total stockholders' equity as of December 31, 2015 was \$29.7 million as compared to total stockholders' equity as of December 31, 2014 of \$26.8 million. Part of the increase in stockholders' equity between the two periods was related to the continued amortization of restricted stock awards which increased common stock by \$791,000. Accumulated other comprehensive income decreased from \$1.3 million as of December 31, 2014 to \$941,000 as of December 31, 2015, driven by a decrease in the market value of the Company's available-for-sale investment securities during that period of time. Net income of approximately \$3.0 million offset by preferred dividends of \$468,000 also contributed to the overall net increase in stockholders' equity.

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

Oak Ridge Financial Services, Inc. (OTCPink: 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, 2015 and December 31, 2014*  
(Dollars in thousands)

	<u>(Unaudited)</u> 2015	<u>(Audited)</u> 2014
<b>Assets</b>		
Cash and due from banks .....	\$ 6,357	\$ 7,279
Interest-bearing deposits with banks .....	11,672	7,132
Total cash and cash equivalents .....	18,029	14,411
Securities available-for-sale .....	46,526	50,389
Securities held-to-maturity (fair values of 1,936 in 2015 and \$2,683 in 2014) .....	1,771	2,472
Federal Home Loan Bank Stock, at cost .....	680	426
Loans held for sale .....	582	864
Loans, net of allowance for loan losses of \$3,898 in 2015 and \$4,191 in 2014.....	275,972	271,205
Property and equipment, net .....	8,056	7,889
Foreclosed assets.....	44	450
Accrued interest receivable.....	1,260	1,343
Bank owned life insurance.....	5,441	5,329
Other assets .....	2,870	2,908
Total assets .....	<u>\$ 361,231</u>	<u>\$ 357,686</u>
<b>Liabilities and Stockholders' Equity</b>		
<i>Liabilities</i>		
Deposits:		
Noninterest-bearing .....	\$ 43,582	\$ 39,556
Interest-bearing .....	264,996	273,936
Total deposits .....	308,578	313,492
Federal Home Loan Bank advances .....	8,500	2,500
Notes payable .....	2,000	2,500
Junior subordinated notes related to trust preferred securities.....	8,248	8,248
Accrued interest payable .....	122	97
Other liabilities .....	4,081	4,055
Total liabilities.....	<u>331,529</u>	<u>330,892</u>
<i>Stockholders' equity</i>		
Preferred stock, Series A, no par value, \$1,000 per share liquidation preference; 7,700 shares authorized; 5,200 shares issued and outstanding in 2015 and 2014, respectively and outstanding; .....	5,191	5,191
Common stock, no par value; 50,000,000 shares authorized; 2,229,705 and 2,164,840 issued and outstanding in 2015 and 2014, respectively .....	19,241	18,449
Retained earnings .....	4,329	1,830
Accumulated other comprehensive income.....	941	1,324
Total stockholders' equity .....	<u>29,702</u>	<u>26,794</u>
Total liabilities and stockholders' equity.....	<u>\$ 361,231</u>	<u>\$ 357,686</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Operations (unaudited)**  
*For the three months and years ended December 31, 2015 and 2014*  
*(Dollars in thousands except per share data)*

	<b>Three months ended December 31,</b>		<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Interest and dividend income</b>				
Loans and fees on loans .....	\$ 3,411	\$ 3,380	\$ 13,663	\$ 13,341
Interest on deposits in banks .....	6	6	27	24
Federal Home Loan Bank stock dividends .....	5	3	19	14
Investment securities .....	387	466	1,640	2,006
Total interest and dividend income .....	<u>3,809</u>	<u>3,855</u>	<u>15,349</u>	<u>15,385</u>
<b>Interest expense</b>				
Deposits .....	446	425	1,806	1,663
Short-term and long-term debt .....	65	41	221	161
Total interest expense .....	<u>511</u>	<u>466</u>	<u>2,027</u>	<u>1,824</u>
Net interest income .....	3,298	3,389	13,322	13,561
<b>Provision for loan losses</b> .....	90	222	(435)	1,382
Net interest income after provision for loan losses .....	<u>3,208</u>	<u>3,167</u>	<u>13,757</u>	<u>12,179</u>
<b>Noninterest income</b>				
Service charges on deposit accounts .....	177	203	736	770
Gain on sale of securities .....	-	102	699	233
Gain (loss) on sale of property and equipment .....	-	-	-	4
Gain on sale of mortgage loans .....	38	35	139	125
Investment commissions .....	9	5	41	32
Insurance commissions .....	56	40	202	168
Fee income from accounts receivable financing .....	57	67	256	423
Debit card interchange income .....	216	211	881	853
Income earned on bank owned life insurance .....	27	30	112	120
Impairment loss on securities .....	-	(6)	(65)	(6)
Other service charges and fees .....	69	67	270	276
Total noninterest income .....	<u>649</u>	<u>754</u>	<u>3,271</u>	<u>2,998</u>
<b>Noninterest expense</b>				
Salaries .....	1,527	1,344	5,917	5,333
Employee benefits .....	160	249	849	1,051
Occupancy expense .....	190	188	758	792
Equipment expense .....	188	242	749	936
Data and item processing .....	369	310	1,352	1,228
Professional and advertising .....	200	243	777	900
Stationary and supplies .....	52	67	246	197
Net cost of foreclosed assets .....	(2)	39	259	62
Telecommunications expense .....	76	93	416	388
FDIC assessment .....	50	73	244	301
Accounts receivable financing expense .....	17	21	78	127
Other expense .....	203	279	1,081	1,041
Total noninterest expense .....	<u>3,030</u>	<u>3,148</u>	<u>12,726</u>	<u>12,356</u>
Income before income taxes .....	827	773	4,302	2,821
<b>Income tax expense</b> .....	255	229	1,335	754
<b>Net income</b> .....	<u>\$ 572</u>	<u>\$ 544</u>	<u>\$ 2,967</u>	<u>\$ 2,067</u>
Preferred stock dividends .....	(117)	(196)	(468)	(639)
<b>Net income available to common stockholders</b> .....	<u>455</u>	<u>348</u>	<u>\$ 2,499</u>	<u>\$ 1,428</u>
<b>Basic net income per common share</b> .....	<u>\$ 0.21</u>	<u>\$ 0.17</u>	<u>\$ 1.14</u>	<u>\$ 0.72</u>
<b>Diluted income per common share</b> .....	<u>\$ 0.21</u>	<u>\$ 0.17</u>	<u>\$ 1.14</u>	<u>\$ 0.71</u>
<b>Basic weighted average common shares outstanding</b> .....	<u>2,186,980</u>	<u>2,096,845</u>	<u>2,186,735</u>	<u>1,994,436</u>
<b>Diluted weighted average common shares outstanding</b> .....	<u>2,197,763</u>	<u>2,103,833</u>	<u>2,196,312</u>	<u>2,000,865</u>

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

Selected Financial Ratios	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Return on average assets <sup>1</sup>	0.64%	0.92%	0.95%	0.80%	0.61%
Return on average common stockholders' equity <sup>1</sup>	7.52%	12.59%	13.39%	10.96%	6.43%
Net interest margin <sup>1</sup>	3.96%	3.92%	3.92%	3.97%	3.98%
Net interest income to average assets <sup>1</sup>	3.69%	3.69%	3.73%	3.78%	3.77%
Efficiency ratio	76.8%	75.8%	76.3%	77.7%	76.0%
Nonperforming assets to total assets	0.85%	0.88%	1.14%	1.47%	1.31%

<sup>1</sup>Annualized