



Oak Ridge Financial Services, Inc. Announces First Quarter 2017 Earnings

OAK RIDGE, N.C., April 25, 2017 (GLOBE NEWSWIRE) -- 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 the first quarter of 2017 today.

First Quarter 2017 Highlights

- | Net income available to common stockholders increased \$187,000, or 42.0%, to \$632,000 in 2017, compared to \$445,000 in 2016
- | Basic and diluted earnings per share of \$0.26 for the three months ended March 31, 2017, up 6 cents, or 30.0%, from \$0.20 for the same period in 2016
- | Return on average common stockholders' equity 9.21% for the three months ended March 31, 2017, compared to 6.99% for the same period in 2016
- | Period end loans of \$314.8 million, up 2.7% (11.0% annualized) from December 31, 2016
- | Period end deposits of \$328.3 million, down 0.4% (1.5% annualized) from December 31, 2016
- | Period end noninterest-bearing deposits of \$53.4 million, up 12.5% (50.7% annualized) from December 31, 2016
- | Nonperforming assets of \$3.4 million, down from \$3.5 million at December 31, 2016
- | Repurchase of 23,000 shares of common stock under the Company's repurchase plan implemented in late 2016

Tom Wayne, President and Chief Financial Officer, reported, "I am very pleased with the Bank's performance in the first quarter of 2017. Our net income and net income available to common stockholders increased significantly from 2016 to 2017, and we saw strong growth on the asset and liability sides of the balance sheet. It was also nice to see our noninterest expense and our efficiency ratio decline year over year, since growth combined with expense management is a focus of ours for 2017. I am thankful to our dedicated employees, the Board of Directors, and our clients for their support."

Bank of Oak Ridge's capital ratios remain strong and exceed all regulatory requirements at March 31, 2017. The Company's stockholders' equity was 7.0% of total assets as of March 31, 2017 and December 31, 2016. Tangible book value per common share was \$11.77 as of March 31, 2017, compared to \$11.37 as of December 31, 2016.

Net interest income was \$3.4 million for the three months ended March 31, 2017, which was a small increase from \$3.3 million during the same period in 2016. Total interest and dividend income increased approximately \$131 thousand from 2016 to 2017, with increases in loan interest and fees of \$215 thousand offset by decreases in interest on investment securities of \$96 thousand during the same period of time. The increase in loan interest and fees was mostly due to increases in loan balances from 2016 to 2017, while the decrease in interest on investment securities was due to a decline in both investment securities balances and investment securities book yields from 2016 to 2017. Total interest expense increased \$95 thousand from 2016 to 2017, with the decrease in interest expense on deposits of \$41 thousand offset by an increase in interest expense on short-term and long-term debt of \$135 thousand. The increase in interest expense on short-term and long-term debt is mostly due to interest expense in 2017 on \$5.6 million in subordinated debentures issued on June 29, 2016. These subordinated debentures were used to

redeem \$5.2 million in Series A Preferred Stock on June 30, 2016, so most of the increase in interest expense on short-term and long-term debt in 2017 was offset by the lack of preferred dividends during the same period of time. The subordinated debentures issued on June 29, 2016 have an interest rate of 7%, while the Series A preferred stock redeemed on June 30, 2016 had a dividend rate of 9%. Interest expense on the debentures is deductible while dividend payments on the Series A preferred stock were non-deductible.

The Company recorded provision expense of \$65,000 for 2017, compared \$75,000 for 2016. The allowance for loan losses as a percentage of total loans was 1.19% at March 31, 2017 compared to 1.20% at December 31, 2016. Nonperforming assets (\$3.3 million of nonperforming loans and \$65,000 of other real estate owned) represented 0.85% of total assets at March 31, 2017, compared to 0.89% at December 31, 2016.

Noninterest income totaled \$585,000 in 2017, compared with \$608,000 in 2016, a decrease of \$23,000 or 3.8%. The biggest noninterest income category contributing to the decline was a decrease in service charges on deposit accounts of \$30,000 from 2017 to 2016. Other smaller increases and decreases contributed to the overall net decrease.

Noninterest expense totaled \$3.0 million in 2017 and was relatively unchanged from \$3.1 million in 2016.

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 is an employee owned community bank with a mission to provide Banking as It Should Be® by delivering personal attention and convenience for every client. Bank of Oak Ridge has been named Best Bank in the Triad five years in a row, one of the Triad's Healthiest Employers and Top Workplaces, and winner of the Better Business Bureau's Torch award for ethics in 2016. We offer a complete range of banking services for individuals and businesses. Bank of Oak Ridge is a Member of the FDIC and an Equal Housing Lender.

Banking Services | ATM Usage Worldwide | Mobile Banking | Online Billpay | Remote Deposit | Checking | Savings | Mortgage | Insurance | Lending | Wealth Management

Visit Us | To learn more, visit us during our extended weekday and Saturday hours at one of our convenient locations in Greensboro, Summerfield and Oak Ridge, North Carolina, or call 336.644.9944, or online at www.BankofOakRidge.com.

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

March 31, 2017 (unaudited) and December 31, 2016 (audited)

(Dollars in thousands)

	March 31, 2017	December 31, 2016
Assets		
Cash and due from banks	\$ 8,037	\$ 7,718
Interest-bearing deposits with banks	12,325	10,626
Federal Funds sold	2,383	1,203
Total cash and cash equivalents	22,745	19,547
Securities available-for-sale	42,854	44,563
Securities held-to-maturity (fair values of \$1,446 in 2017 and \$1,520 in 2016)	1,328	1,397
Federal Home Loan Bank Stock, at cost	1,260	811
Loans, net of allowance for loan losses of \$3,738 in 2017 and \$3,678 in 2016	311,056	302,798
Property and equipment, net	8,674	8,795
Foreclosed assets	65	4
Accrued interest receivable	1,188	1,272
Bank owned life insurance	5,560	5,536
Other assets	3,266	3,086
Total assets	<u>\$ 397,996</u>	<u>\$ 387,809</u>

Liabilities and Stockholders' Equity

Liabilities

Deposits:		
Noninterest-bearing	\$ 53,360	\$ 47,426
Interest-bearing	274,960	282,148
Total deposits	328,320	329,574
Short-term borrowings	21,500	11,500
Long-term borrowings	1,375	1,500
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	5,531	5,526
Accrued interest payable	115	98
Other liabilities	5,088	4,227
Total liabilities	<u>370,177</u>	<u>360,673</u>

Stockholders' equity

Common stock, no par value; 50,000,000 shares authorized; 2,363,514 and 2,386,514 issued and outstanding in 2017 and 2016, respectively	19,928	20,064
Retained earnings	7,296	6,664
Accumulated other comprehensive income	595	408
Total stockholders' equity	<u>27,819</u>	<u>27,136</u>
Total liabilities and stockholders' equity	<u>\$ 397,996</u>	<u>\$ 387,809</u>

Oak Ridge Financial Services, Inc.

Consolidated Statements of Income (Unaudited)

For the three months ended March 31, 2017 and 2016

(Dollars in thousands except per share data)

	2017	2016
Interest and dividend income		
Loans and fees on loans	\$ 3,662	\$ 3,447
Interest on deposits in banks	23	15
Federal Home Loan Bank stock dividends	8	5
Taxable investment securities	292	388
Total interest and dividend income	<u>3,985</u>	<u>3,854</u>
Interest expense		
Deposits	426	467
Short-term and long-term debt	202	67
Total interest expense	<u>628</u>	<u>533</u>
Net interest income	<u>3,357</u>	<u>3,321</u>
Provision for loan losses	<u>65</u>	<u>75</u>
Net interest income after provision for loan losses	<u>3,292</u>	<u>3,246</u>
Noninterest income		
Service charges on deposit accounts	142	171
Gain on sale of mortgage loans	14	12
Investment commissions	20	2
Insurance commissions	66	48
Fee income from accounts receivable financing	43	58
Debit card interchange income	203	221
Income earned on bank owned life insurance	24	26
Other service charges and fees	73	70
Total noninterest income	<u>585</u>	<u>608</u>
Noninterest expense		
Salaries	1,502	1,516
Employee benefits	173	217
Occupancy	212	208
Equipment	129	153
Loss on sale of property and equipment	-	1
Data and item processing	404	380
Professional and advertising	190	181
Stationery and supplies	48	65
Net cost of foreclosed assets	-	13
Impairment loss on securities	5	7
Telecommunications	107	102
FDIC assessment	56	57
Accounts receivable financing	15	17
Other expense	190	167
Total noninterest expense	<u>3,031</u>	<u>3,084</u>
Income before income taxes	<u>846</u>	<u>770</u>
Income tax expense	<u>214</u>	<u>208</u>
Net income	<u>\$ 632</u>	<u>\$ 562</u>
Preferred stock dividends	<u>-</u>	<u>(117)</u>
Income available to common stockholders	<u>\$ 632</u>	<u>\$ 445</u>
Basic income per common share	<u>\$ 0.26</u>	<u>\$ 0.20</u>
Diluted income per common share	<u>\$ 0.26</u>	<u>\$ 0.20</u>
Basic weighted average shares outstanding	<u>2,387,954</u>	<u>2,270,397</u>
Diluted weighted average shares outstanding	<u>2,398,997</u>	<u>2,281,439</u>

Selected Financial Data	December	September		December		
	March 31, 2017	31, 2016	30, 2016	June 30, 2016	March 31, 2016	31, 2015
Return on average common stockholders' equity ¹	9.21%	8.89%	10.30%	9.61%	6.99%	7.52%
Tangible book value per share	\$ 11.77	\$ 11.37	\$ 11.56	\$ 11.37	\$ 11.26	\$ 10.86
Return on average assets ¹	0.65%	0.64%	0.76%	0.81%	0.62%	0.64%
Net interest margin ¹	3.67%	3.83%	3.77%	3.81%	3.88%	3.96%
Net interest income to average assets ¹	3.47%	3.51%	3.54%	3.65%	3.67%	3.69%
Efficiency ratio	76.1%	79.1%	77.6%	77.3%	78.4%	76.8%
Nonperforming assets to total assets	0.85%	0.89%	0.90%	0.82%	0.83%	0.85%

¹Annualized

Thomas W. Wayne, President and CFO
 Phone: 336-644-9944