

FOR IMMEDIATE RELEASE**Contact: Thomas W. Wayne, President and CFO****Phone: 336-644-9944****Oak Ridge Financial Services, Inc. Announces Third Quarter 2017 Earnings**

Oak Ridge, NC: October 25, 2017 – Oak Ridge Financial Services, Inc. (the “Company”) (OTCPink: BKOR), the parent company of Bank of Oak Ridge (the “Bank”), announced unaudited financial results for the third quarter of 2017.

Third Quarter 2017 Highlights

- Net income available to common stockholders of \$807,000 for the three months ended September 30, 2017, up \$95,000, or 13.3%, from \$712,000 for the same period in 2016
- Basic and diluted earnings per share of \$0.34 for the three months ended September 30, 2017, up \$0.04, or 13.3%, from \$0.30 for the same period in 2016
- Return on average common stockholders’ equity of 10.82% for the three months ended September 30, 2017, compared to 10.30% for the same period in 2016
- Period end loans of \$334.9 million, up 9.3% (12.4% annualized) from December 31, 2016
- Period end deposits of \$350.1 million, up 6.2% (8.3% annualized) from December 31, 2016
- Period end noninterest-bearing deposits of \$55.9 million, up 17.9% (23.9% annualized) from December 31, 2016
- Nonperforming assets of \$3.0 million, down 14.3% from \$3.5 million at December 31, 2016

Tom Wayne, President and Chief Financial Officer, reported, “I am very pleased with the Bank’s performance in the third quarter of 2017. Our net income and net income available to common stockholders increased from 2016 to 2017, and we saw strong growth on the asset and liability sides of the balance sheet. It was also pleasing to see our noninterest expense remain relatively flat and our efficiency ratio improve year over year, reflecting our focus in 2017 of combining growth with expense management. Lastly, as we continue to pay close attention to asset quality, nonperforming assets declined 14.3% from December 31, 2016 to September 30, 2017, and was 0.71% of total assets as of September 30, 2017. I am thankful to our dedicated employees, the Board of Directors, and our clients for their continued support.”

Bank of Oak Ridge’s capital ratios remain strong and exceeded all regulatory requirements at September 30, 2017. The Company’s stockholders’ equity was 7.2% and 7.0% of total assets as of September 30, 2017 and December 31, 2016, respectively. Tangible book value per common share was \$12.66 as of September 30, 2017, compared to \$11.37 as of December 31, 2016, an increase of \$1.29 or 11.3% (15.2% annualized).

Net interest income was \$3.8 million for the three months ended September 30, 2017, a \$451,000 increase from \$3.3 million during the same period in 2016. Total interest and dividend income increased approximately \$515,000 from 2016 to 2017, with increases in interest on loans and fees on loans of \$464,000 accounting for most of the increase. Smaller increases in other interest and dividend income categories contributed to the remaining overall net increase. The increase in loan interest and fees was mostly due to increases in loan balances from 2016 to 2017. Total interest expense increased \$64,000 from 2016 to 2017 due mostly to an increase in interest expense on short-term and long-term debt of \$56,000. The increase in interest expense on short-term and long-term debt is mostly due to greater interest expense on Federal Home Loan Bank advances due to higher borrowings in 2017 compared to 2016.

The Company recorded a negative provision expense of \$40,000 for the three months ended September 30, 2017, compared to a negative provision expense of \$100,000 for the comparable period in 2016. The allowance for loan losses as a percentage of total loans was 1.08% at September 30, 2017 compared to 1.20% at December 31, 2016. Nonperforming assets (\$3.0 million of nonperforming loans and \$4,000 of other real estate owned) represented 0.71% of total assets at September 30, 2017, compared to 0.89% at December 31, 2016.

Noninterest income totaled \$684,000 for the quarter ended September 30, 2017, compared with \$978,000 for the same period in 2016, reflecting a decrease of \$294,000 or 30.1%. The biggest noninterest income category contributing to the decline was a gain on sale of securities of \$275 thousand in the 2016 period with no gain on sale of securities in the 2017 period. Other smaller increases and decreases in noninterest income contributed to the overall net decrease.

Noninterest expense totaled \$3.4 million for the quarter ended September 30, 2017, up slightly from \$3.3 million in the comparable 2016 period.

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 that delivers personal attention and convenience for every client. Bank of Oak Ridge has been named Best Bank in the Triad six years in a row, a 2017 Top Workplace, one of the Triad's Healthiest Employers, and was the 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
September 30, 2017 (unaudited) and December 31, 2016 (audited)
(Dollars in thousands)

| | <u>September 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|---|-------------------------------------|------------------------------------|
| Assets | | |
| Cash and due from banks | \$ 9,191 | \$ 7,718 |
| Interest-bearing deposits with banks | 8,515 | 10,626 |
| Federal Funds sold | 2,759 | 1,203 |
| Total cash and cash equivalents | 20,465 | 19,547 |
| Securities available-for-sale | 44,636 | 44,563 |
| Securities held-to-maturity (fair values of \$1,319 in 2017 and \$1,520 in 2016)..... | 1,167 | 1,397 |
| Federal Home Loan Bank Stock, at cost | 1,133 | 811 |
| Loans, net of allowance for loan losses of \$3,614 in 2017 and \$3,678 in 2016..... | 331,272 | 302,798 |
| Property and equipment, net | 8,582 | 8,795 |
| Foreclosed assets..... | 4 | 4 |
| Accrued interest receivable | 1,343 | 1,272 |
| Bank owned life insurance | 5,609 | 5,536 |
| Other assets | 4,451 | 3,086 |
| Total assets..... | <u>\$ 418,662</u> | <u>\$ 387,809</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing | \$ 55,919 | \$ 47,426 |
| Interest-bearing | 294,156 | 282,148 |
| Total deposits | 350,075 | 329,574 |
| Short-term borrowings | 18,500 | 11,500 |
| Long-term borrowings | 1,125 | 1,500 |
| Junior subordinated notes related to trust preferred securities | 8,248 | 8,248 |
| Subordinated debentures | 5,547 | 5,526 |
| Accrued interest payable | 137 | 98 |
| Other liabilities | 4,821 | 4,227 |
| Total liabilities | <u>388,453</u> | <u>360,673</u> |
| Stockholders' equity | | |
| Common stock, no par value; 50,000,000 shares authorized; 2,360,680 and 2,386,514 issued and outstanding in 2017 and 2016, respectively | 20,212 | 20,064 |
| Retained earnings..... | 8,868 | 6,664 |
| Accumulated other comprehensive income | 1,129 | 408 |
| Total stockholders' equity..... | <u>30,209</u> | <u>27,136</u> |
| Total liabilities and stockholders' equity | <u>\$ 418,662</u> | <u>\$ 387,809</u> |

Oak Ridge Financial Services, Inc.
Consolidated Statements of Operations
For the three months and nine months ended September 30, 2017 and 2016 (Unaudited)
(Dollars in thousands except per share data)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest and dividend income | | | | |
| Loans and fees on loans..... | \$ 4,088 | \$ 3,624 | \$ 11,606 | \$ 10,598 |
| Interest on deposits in banks..... | 44 | 12 | 101 | 38 |
| Federal Home Loan Bank stock dividends | 15 | 4 | 36 | 16 |
| Investment securities | 362 | 354 | 1,004 | 1,110 |
| Total interest and dividend income..... | 4,509 | 3,994 | 12,747 | 11,762 |
| Interest expense | | | | |
| Deposits..... | 495 | 487 | 1,360 | 1,456 |
| Short-term and long-term debt..... | 232 | 176 | 665 | 301 |
| Total interest expense | 727 | 663 | 2,025 | 1,757 |
| Net interest income..... | 3,782 | 3,331 | 10,722 | 10,005 |
| Provision for loan losses | | | | |
| Net interest income after provision for loan losses | 3,822 | 3,431 | 10,782 | 10,155 |
| Noninterest income | | | | |
| Service charges on deposit accounts..... | 163 | 181 | 462 | 528 |
| Gain on sale of securities..... | - | 275 | (4) | 275 |
| Gain (loss) on sale of property and equipment | 5 | - | 5 | (1) |
| Gain on sale of mortgage loans..... | 52 | 61 | 88 | 102 |
| Investment commissions..... | 4 | 20 | 29 | 38 |
| Insurance commissions..... | 81 | 74 | 216 | 178 |
| Gain on sale of SBA loans..... | - | - | 61 | - |
| Fee income from accounts receivable financing..... | 53 | 46 | 142 | 150 |
| Debit card interchange income | 223 | 229 | 649 | 685 |
| Income earned on bank owned life insurance..... | 25 | 24 | 73 | 73 |
| Impairment loss on securities | (6) | (11) | (19) | (18) |
| Other service charges and fees..... | 84 | 79 | 252 | 296 |
| Total noninterest income | 684 | 978 | 1,954 | 2,306 |
| Noninterest expense | | | | |
| Salaries | 1,583 | 1,683 | 4,626 | 4,750 |
| Employee benefits | 216 | 247 | 571 | 702 |
| Occupancy expense | 190 | 181 | 597 | 566 |
| Equipment expense..... | 146 | 186 | 422 | 505 |
| Data and item processing..... | 447 | 379 | 1,310 | 1,124 |
| Professional and advertising..... | 294 | 212 | 732 | 617 |
| Stationary and supplies..... | 79 | 59 | 186 | 184 |
| Net cost of foreclosed assets..... | - | - | 6 | 13 |
| Telecommunications expense..... | 102 | 104 | 339 | 311 |
| FDIC assessment | 62 | 60 | 176 | 174 |
| Accounts receivable financing expense..... | 17 | 14 | 47 | 45 |
| Other expense | 252 | 217 | 667 | 582 |
| Total noninterest expense | 3,388 | 3,342 | 9,679 | 9,573 |
| Income before income taxes | 1,118 | 1,067 | 3,057 | 2,888 |
| Income tax expense | | | | |
| Net income | \$ 807 | \$ 712 | \$ 2,204 | \$ 2,016 |
| Preferred stock dividends | - | - | - | (294) |
| Net income available to common stockholders | | | | |
| Basic net income per common share..... | \$ 0.34 | \$ 0.30 | \$ 0.93 | \$ 0.73 |
| Diluted income per common share..... | \$ 0.34 | \$ 0.30 | \$ 0.93 | \$ 0.73 |
| Basic weighted average common shares outstanding | | | | |
| Diluted weighted average common shares outstanding..... | 2,360,680 | 2,386,514 | 2,364,713 | 2,348,571 |
| Diluted weighted average common shares outstanding..... | 2,371,239 | 2,397,723 | 2,375,092 | 2,359,667 |

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

| Selected Financial Data | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| Return on average common stockholders' equity ¹ | 10.82% | 10.82% | 9.21% | 8.89% | 10.30% | 8.69% |
| Tangible book value per share | \$12.66 | \$12.28 | \$11.77 | \$11.37 | \$11.56 | \$11.37 |
| Return on average assets ¹ | 0.77% | 0.76% | 0.65% | 0.64% | 0.76% | 0.81% |
| Net interest margin ¹ | 3.96% | 3.91% | 3.73% | 3.83% | 3.77% | 3.81% |
| Net interest income to average assets ¹ | 3.62% | 3.58% | 3.47% | 3.51% | 3.54% | 3.65% |
| Efficiency ratio | 75.9% | 76.4% | 76.1% | 79.1% | 77.6% | 77.3% |
| Nonperforming assets to total assets | 0.71% | 0.70% | 0.85% | 0.89% | 0.90% | 0.82% |

¹Annualized