



**FOR IMMEDIATE RELEASE**

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**Oak Ridge Financial Services, Inc. Announces Second Quarter 2019 Earnings, Quarterly Cash Common Dividend of \$0.05 Per Share, and Share Repurchase Program**

**Oak Ridge, NC: July 24, 2019 (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 second quarter of 2019, a quarterly cash common dividend of \$0.05 per share, and the approval by the Company’s Board of Directors of a stock repurchase program.

**Second Quarter 2019 Highlights**

- Basic earnings per share of \$0.38 for the three months ended June 30, 2019, up \$0.03, or 8.6%, from \$0.35 for the same period in 2018; diluted earnings per share of \$0.38 for the three months ended June 30, 2019, up \$0.04, or 11.4%, from \$0.34 for the same period in 2018
- Return on average common stockholders’ equity of 10.75% (annualized) for the three months ended June 30, 2019, compared to 11.42% (annualized) for the same period in 2018
- Period end loans of \$383.3 million, up 3.1% (6.2% annualized) from December 31, 2018
- Period end deposits of \$368.4 million, up 2.8% (5.6% annualized) from December 31, 2018
- Period end noninterest-bearing deposits of \$64.8 million, up 10.4% (20.8% annualized) from December 31, 2018
- Nonperforming assets of \$2.4 million, down 14.9% from December 31, 2018
- Paid a quarterly cash dividend of \$0.05 per share on June 1, 2019

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, “We are very pleased with the upward trend in basic and diluted earnings per share, our continued growth in loans and deposits, and the management of noninterest expense during the second quarter of 2019. I am very pleased with our overall performance in the first half of 2019 and thank our stockholders, our dedicated employees, our Board of Directors, and our clients for their continued support.”

The Company announced that its Board of Directors has declared a quarterly cash dividend of \$0.05 per share of common stock. The dividend will be paid on or about September 6, 2019 to stockholders of record as of the close of business on August 16, 2019. “We are pleased to continue to make regular quarterly cash dividends to our stockholders,” said Tom Wayne. “We believe that paying stockholders a portion of our earnings reflects our continuing commitment to enhance stockholder value.”

The Company also announced that its Board of Directors has approved a stock repurchase program. Under this program, the Company may repurchase up to 50,000 shares of its common stock, from time to time. The repurchase program permits shares to be repurchased in the open market, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. Repurchases may be made at management’s discretion at prices management considers to be attractive, subject to the availability of stock, general market conditions, the applicable trading price, future alternative advantageous uses for capital, and the Company’s financial performance. Open market purchases will be conducted in accordance with the limitations set forth in Rule 10b-18 of the Securities Exchange Act and other applicable legal requirements.

“The Board’s adoption of this repurchase program is an important option within our overall capital management strategy and reflects our commitment to maximize stockholder returns and proactively manage capital,” said Chief Executive Officer and Chief Financial Officer Tom Wayne.

The repurchase program has an initial term of one year and may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. These factors may also affect the timing and amount of share repurchases. The repurchase program does not obligate the Company to purchase any particular number of shares. Any shares acquired will be cancelled and become authorized but unissued shares, available for future issuance.

The Bank’s capital ratios remain strong and exceed all minimum regulatory requirements at June 30, 2019. As of June 30, 2019, stockholders’ equity was 8.1% of total assets, compared to 7.6% as of December 31, 2018. Book value per common share was \$14.37 as of June 30, 2019, up 16.7% from \$12.31 as of June 30, 2018.

With respect to the consolidated statement of operations for the three months ended June 30, 2019, net interest income was \$4.1 million, which was an increase from \$3.9 million during the same period in 2018. For the three months ended June 30, 2019, the net interest margin

was 3.72% compared to 3.90% for the same period in 2018, a decrease of 18 basis points. For the six months ended June 30, 2019, net interest income was \$8.1 million, compared to \$7.7 million during the same period in 2018. The net interest margin was 3.72% for the six months ended June 30, 2019, compared to 3.86% for the same period in 2018, a decrease of 14 basis points.

The Company recorded a provision for loan loss of \$225,000 for the three months ended June 30, 2019, compared with a provision of \$66,000 for the same period in 2018. For the six months ended June 30, 2019 the Company recorded a provision for loan loss of \$185,000 compared with a provision of \$66,000 for the same period in 2018. The allowance for loan losses as a percentage of total loans was 0.80% at June 30, 2019 compared to 1.04% at December 31, 2018. The need to supplement the allowance for loan losses in 2019 was mitigated by improvement in various quantitative and qualitative factors used in the determination of the allowance. Nonperforming assets represented 0.50% of total assets at June 30, 2019, down from 0.63% of assets as of December 31, 2018.

Noninterest income totaled \$847,000 for the three months ended June 30, 2019, compared with \$691,000 for the same period in 2018, an increase of \$156,000 or 22.6%. The biggest contributor to the increase was a gain on the sale of securities of \$164,000 in the second quarter of 2019 and no such gains in the comparable period in 2018. Noninterest income totaled \$1.4 million for the six months ended June 30, 2019, compared with \$1.6 million for the same period in 2018, a decrease of \$200,000 or 12.1%. The biggest contributor to the decrease was a gain on sale of SBA loans of \$305,000 during the six months ended June 30, 2018, compared to no such gains during the same period in 2019. This was offset by a gain on the sale of securities of \$164,000 in the first six month of 2019 and no such gains in the comparable period in 2018.

Noninterest expense totaled \$3.5 million in the three months ended June 30, 2019, an increase of \$61,000, or 1.8%, from the same period in 2018. Increases in equipment and data processing expenses, partially offset by decreases in salaries and employee benefits accounted for most of the overall net increase. Noninterest expense totaled \$6.9 million in the six months ended June 30, 2019, a decrease of \$161,000, or 2.3%, from 2018. Decreases in salaries and employee benefits, partially offset by increases in equipment and data processing expenses, accounted for most of the overall net decrease.

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. We are proud of our many accolades and awards, including seven “Best Bank in the Triad” wins, “Triad’s Top Workplace” finalist, “Triad’s Healthiest Employer” winner and a Better Business Bureau “Torch Award” winner. 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](http://www.BankofOakRidge.com).

### **Forward-looking Information**

*This earnings release 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, and (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations. The Company undertakes no obligation to update any forward-looking statements.*

**Oak Ridge Financial Services, Inc.**  
**Consolidated Balance Sheets**  
*June 30, 2019 (unaudited) and December 31, 2018 (audited)*  
*(Dollars in thousands)*

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and due from banks .....	\$ 13,947	\$ 7,167
Interest-bearing deposits with banks .....	6,796	11,293
Federal Funds sold .....	1,332	791
Total cash and cash equivalents .....	22,075	19,251
Securities available-for-sale .....	40,887	41,443
Securities held-to-maturity (fair values of \$974 in 2019 and \$1,030 in 2018) .....	810	892
Federal Home Loan Bank Stock, at cost .....	1,042	1,023
Loans, net of allowance for loan losses of \$3,066 in 2019 and \$3,347 in 2018 .....	380,201	368,562
Property and equipment, net .....	9,999	9,886
Accrued interest receivable .....	1,580	1,555
Bank owned life insurance .....	5,787	5,739
Right-of-use assets – operating leases .....	1,495	-
Other assets .....	4,598	4,990
Total assets .....	<u>\$ 468,474</u>	<u>\$ 453,341</u>
<b>Liabilities and Stockholders' Equity</b>		
<i>Liabilities</i>		
Deposits:		
Noninterest-bearing .....	\$ 64,780	\$ 58,672
Interest-bearing .....	328,205	323,646
Total deposits .....	392,985	382,318
Short-term borrowings .....	15,000	15,000
Long-term borrowings .....	1,250	1,304
Junior subordinated notes related to trust preferred securities .....	8,248	8,248
Subordinated debentures .....	5,595	5,581
Lease liabilities – operating leases .....	1,495	-
Accrued interest payable .....	280	263
Other liabilities .....	5,900	6,298
Total liabilities .....	<u>430,753</u>	<u>419,012</u>
<i>Stockholders' equity</i>		
Common stock, no par value; 50,000,000 shares authorized; 2,625,695 and 2,592,434 issued and outstanding in 2019 and 2018, respectively .....	24,625	24,353
Retained earnings .....	11,161	9,422
Accumulated other comprehensive income .....	1,935	554
Total stockholders' equity .....	<u>37,721</u>	<u>34,329</u>
Total liabilities and stockholders' equity .....	<u>\$ 468,474</u>	<u>\$ 453,341</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Operations**  
For the three months and six months ended June 30, 2019 and 2018 (Unaudited)  
(Dollars in thousands except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Interest and dividend income</b>				
Loans and fees on loans.....	\$ 5,048	\$ 4,414	\$ 9,927	\$ 8,616
Interest on deposits in banks.....	90	107	172	121
Federal Home Loan Bank stock dividends .....	17	15	33	30
Investment securities .....	368	317	734	733
Total interest and dividend income.....	5,523	4,853	10,866	9,500
<b>Interest expense</b>				
Deposits.....	1,129	658	2,201	1,268
Short-term and long-term debt.....	277	261	590	487
Total interest expense .....	1,406	919	2,791	1,755
Net interest income.....	4,117	3,934	8,075	7,745
<b>Provision for loan losses</b> .....	225	66	185	66
Net interest income after provision for loan losses.....	3,892	3,868	7,890	7,679
<b>Noninterest income</b>				
Service charges on deposit accounts.....	195	169	340	333
Gain on sale of securities.....	164	-	164	-
Brokerage commissions on mortgage loans .....	68	53	136	94
Investment commissions.....	-	4	-	18
Insurance commissions.....	81	68	168	142
Gain on sale of SBA loans.....	-	-	-	305
Fee income from accounts receivable financing.....	1	55	12	112
Debit and credit card interchange income .....	252	251	458	467
Income earned on bank owned life insurance.....	24	26	48	51
Other service charges and fees .....	62	65	123	127
Total noninterest income .....	847	691	1,449	1,649
<b>Noninterest expense</b>				
Salaries .....	1,598	1,670	3,272	3,409
Employee benefits .....	275	300	560	569
Occupancy expense .....	208	194	427	430
Equipment expense.....	271	164	461	329
Data and item processing.....	526	412	976	811
Professional and advertising.....	183	206	287	423
Stationary and supplies.....	39	59	90	104
Impairment loss on securities .....	4	-	10	4
Telecommunications expense.....	95	118	189	246
FDIC assessment .....	48	54	99	110
Accounts receivable financing expense .....	-	18	3	36
Other expense .....	283	274	520	585
Total noninterest expense .....	3,530	3,469	6,894	7,056
Income before income taxes .....	1,209	1,090	2,445	2,272
<b>Income tax expense</b> .....	214	182	442	410
<b>Net income and net income available to common stockholders</b> ...	\$ 995	\$ 908	\$ 2,003	\$ 1,862
<b>Basic net income per common share</b> .....	\$ 0.38	\$ 0.35	\$ 0.77	\$ 0.70
<b>Diluted income per common share</b> .....	\$ 0.38	\$ 0.34	\$ 0.76	\$ 0.71
<b>Basic weighted average common shares outstanding</b> .....	2,625,695	2,625,801	2,616,459	2,638,028
<b>Diluted weighted average common shares outstanding</b> .....	2,633,641	2,634,920	2,624,405	2,647,118

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

Selected Financial Data	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Return on average common stockholders' equity <sup>1</sup>	10.75%	11.61%	13.57%	11.70%	11.42%	12.44%
Tangible book value per share	\$14.37	\$13.80	\$13.24	\$12.59	\$12.31	\$11.87
Return on average assets <sup>1</sup>	0.85%	0.89%	1.01%	0.85%	0.85%	0.90%
Net interest margin <sup>1</sup>	3.72%	3.72%	3.71%	3.76%	3.90%	3.83%
Net interest income to average assets <sup>1</sup>	3.51%	3.52%	3.54%	3.53%	3.68%	3.57%
Efficiency ratio	71.1%	73.1%	73.5%	74.3%	75.0%	75.1%
Nonperforming assets to total assets	0.50%	0.56%	0.63%	0.63%	0.63%	0.65%

<sup>1</sup>Annualized