



OAK RIDGE

FINANCIAL SERVICES

P.O. Box 2
Oak Ridge, NC 27310

FOR IMMEDIATE RELEASE

Contact: Tom Wayne, President and CFO

Phone: 336-644-9944

Oak Ridge Financial Services, Inc. Announces Record Third Quarter 2019 Earnings and Quarterly Cash Common Dividend of \$0.05 Per Share

Oak Ridge, NC: October 25, 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 third quarter of 2019 and quarterly cash common dividend of \$0.05 per share.

Third Quarter 2019 Highlights

- Basic and diluted earnings per share of \$0.46 for the three months ended September 30, 2019, up \$0.09, or 24.3%, from \$0.37 for the same period in 2018
- Return on average common stockholders’ equity of 11.08% (annualized) for the three months ended September 30, 2019, compared to 11.70% (annualized) for the same period in 2018
- Period end loans of \$388.1 million, up 4.4% (5.8% annualized) from December 31, 2018
- Period end deposits of \$393.0 million, up 2.8% (3.7% annualized) from December 31, 2018
- Period end noninterest-bearing deposits of \$62.6 million, up 6.7% (8.9% annualized) from December 31, 2018
- Period end nonperforming assets of \$4.5 million (0.96% of total assets), up 54.3% from December 31, 2018
- Paid two quarterly cash dividends of \$0.05 per share in 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 third quarter of 2019. I am very pleased with our overall performance in the first nine months 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 December 6, 2019 to stockholders of record as of the close of business on November 15, 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 Bank’s capital ratios remain strong and exceed all minimum regulatory requirements at September 30, 2019. As of September 30, 2019, stockholders’ equity was 8.4% of total assets, compared to 7.6% as of December 31, 2018. Book value per common share was \$14.99 as of September 30, 2019, up 13.2% (17.7% annualized) from \$13.24 as of December 31, 2018.

With respect to the consolidated statement of operations for the three months ended September 30, 2019, net interest income was \$4.2 million, which was an increase from \$3.9 million during the same period in 2018. For the three months ended September 30, 2019, the net interest margin was 3.80% compared to 3.76% for the same period in 2018, an increase of 4 basis points. For the nine months ended September 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 3.75% for the nine months ended September 30, 2019, compared to 3.83% for the same period in 2018, a decrease of 8 basis points.

The Company did not record a provision for loan loss for the three months ended September 30, 2019, compared with a negative provision for loan loss of \$7,000 for the same period in 2018. For the nine months ended September 30, 2019 the Company recorded a provision for loan loss of \$185,000 compared with a provision of \$59,000 for the same period in 2018. The allowance for loan losses as a percentage of total loans was 0.82% at September 30, 2019 compared to 0.90% 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 0.91% of total assets at September 30, 2019, up from 0.63% of assets as of December 31, 2018. One new nonperforming loan comprised most of the increase in nonperforming assets from December 31, 2018 to September 30, 2019.

Noninterest income totaled \$846,000 for the three months ended September 30, 2019, compared with \$745,000 for the same period in 2018, an increase of \$101,000 or 13.6%. Increases in service charges on deposit accounts, brokerage commissions on mortgage loans, insurance commissions, and gain on sale of SBA loans were the biggest contributors to the overall increase in noninterest income. Noninterest income totaled \$2.3 million for the nine months ended September 30, 2019, compared with \$2.4 million for the same period in 2018, a decrease of \$93,000 or 3.9%. The biggest contributor to the decrease was a gain on sale of SBA loans of \$345,000 during the nine months ended September 30, 2018, compared to \$83,000 during the same period in 2019. This was offset by a gain on the sale of securities of \$164,000 in the first nine month of 2019 and no such gains in the comparable period in 2018.

Noninterest expense totaled \$3.5 million in the three months ended September 30, 2019, a decrease of \$47,000, or 1.4%, from the same period in 2018. The biggest contributor to the decrease was a decrease of \$105,000 in FDIC assessment during the three months ended September 30, 2019 compared to the same period in 2018. The Bank as well as other FDIC insured community banks, were awarded assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from 1.15 percent to 1.35 percent, to be applied when the reserve ratio is at least 1.38 percent. Noninterest expense totaled \$10.4 million in the nine months ended September 30, 2019, a decrease of \$106,000, or 1.0%, from 2018. The biggest contributor to the decrease was a decrease of \$115,000 in FDIC assessment during the nine months ended September 30, 2019 compared to the same period in 2018, for the same reason noted above.

Oak Ridge Financial Services, Inc. (OTCPink: BKOR) is the holding company for Bank of Oak Ridge. Bank of Oak Ridge delivers personal attention and convenience for every client. Substantially all the Bank's employees are stockholders in Oak Ridge Financial Services, Inc. through their participation in the Bank's Employee Stock Ownership Plan. 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.

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

September 30, 2019 (unaudited) and December 31, 2018 (audited)

(Dollars in thousands)

| | 2019 | 2018 |
|---|-------------|-------------|
| Assets | | |
| Cash and due from banks..... | \$ 13,066 | \$ 7,167 |
| Interest-bearing deposits with banks..... | 4,821 | 11,293 |
| Federal Funds sold..... | - | 791 |
| Total cash and cash equivalents..... | 17,887 | 19,251 |
| Securities available-for-sale..... | 42,332 | 41,443 |
| Securities held-to-maturity (fair values of \$931 in 2019 and \$1,030 in 2018)..... | 768 | 892 |
| Federal Home Loan Bank Stock, at cost..... | 1,042 | 1,023 |
| Loans, net of allowance for loan losses of \$3,175 in 2019 and \$3,347 in 2018..... | 384,951 | 368,562 |
| Property and equipment, net | 10,175 | 9,886 |
| Accrued interest receivable..... | 1,402 | 1,555 |
| Bank owned life insurance..... | 5,812 | 5,739 |
| Foreclosed assets | 686 | - |
| Right-of-use assets – operating leases | 1,416 | - |
| Other assets..... | 3,955 | 4,990 |
| Total assets | \$ 470,426 | \$ 453,341 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits: | | |
| Noninterest-bearing | \$ 62,586 | \$ 58,672 |
| Interest-bearing | 330,399 | 323,646 |
| Total deposits..... | 392,985 | 382,318 |
| Short-term borrowings..... | 15,000 | 15,000 |
| Long-term borrowings | 1,217 | 1,304 |
| Junior subordinated notes related to trust preferred securities | 8,248 | 8,248 |
| Subordinated debentures..... | 5,601 | 5,581 |
| Lease liabilities – operating leases..... | 1,416 | - |
| Accrued interest payable..... | 315 | 263 |
| Other liabilities | 6,292 | 6,298 |
| Total liabilities | 431,074 | 419,012 |
| Stockholders' equity | | |
| 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 | 24,769 | 24,353 |
| Retained earnings..... | 12,247 | 9,422 |
| Accumulated other comprehensive income | 2,337 | 554 |
| Total stockholders' equity | 39,353 | 34,329 |
| Total liabilities and stockholders' equity | \$ 470,426 | \$ 453,341 |

Oak Ridge Financial Services, Inc.

Consolidated Statements of Operations

For the three months and nine months ended September 30, 2019 and 2018 (Unaudited)

(Dollars in thousands except per share data)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest and dividend income | | | | |
| Loans and fees on loans..... | \$ 5,122 | \$ 4,583 | \$ 15,049 | \$ 13,199 |
| Interest on deposits in banks..... | 60 | 83 | 247 | 224 |
| Federal Home Loan Bank stock dividends | 17 | 14 | 50 | 44 |
| Investment securities | 365 | 354 | 1,083 | 1,068 |
| Total interest and dividend income..... | 5,564 | 5,034 | 16,429 | 14,535 |
| Interest expense | | | | |
| Deposits..... | 1,091 | 826 | 3,292 | 2,095 |
| Short-term and long-term debt..... | 295 | 286 | 884 | 774 |
| Total interest expense | 1,386 | 1,112 | 4,176 | 2,869 |
| Net interest income | 4,178 | 3,922 | 12,253 | 11,666 |
| Provision for loan losses | - | (7) | 185 | 59 |
| Net interest income after provision for loan losses..... | 4,178 | 3,929 | 12,068 | 11,607 |
| Noninterest income | | | | |
| Service charges on deposit accounts..... | 196 | 167 | 536 | 500 |
| Gain on sale of securities..... | - | - | 164 | - |
| Brokerage commissions on mortgage loans | 102 | 59 | 237 | 153 |
| Investment commissions..... | - | 3 | 1 | 21 |
| Insurance commissions..... | 100 | 85 | 268 | 228 |
| Gain on sale of SBA loans..... | 83 | 40 | 83 | 345 |
| Fee income from accounts receivable financing..... | 1 | 47 | 12 | 159 |
| Debit and credit card interchange income | 245 | 231 | 687 | 669 |
| Income earned on bank owned life insurance..... | 25 | 27 | 73 | 77 |
| Other service charges and fees | 94 | 86 | 241 | 243 |
| Total noninterest income | 846 | 745 | 2,302 | 2,395 |
| Noninterest expense | | | | |
| Salaries | 1,719 | 1,683 | 5,012 | 5,092 |
| Employee benefits | 303 | 319 | 863 | 888 |
| Occupancy expense | 220 | 196 | 646 | 626 |
| Equipment expense..... | 209 | 185 | 670 | 513 |
| Data and item processing..... | 419 | 403 | 1,396 | 1,214 |
| Professional and advertising..... | 181 | 141 | 405 | 559 |
| Stationary and supplies..... | 22 | 76 | 112 | 180 |
| Net cost of foreclosed assets..... | 8 | - | 10 | 2 |
| Impairment loss on securities | 6 | 11 | 12 | 15 |
| Telecommunications expense..... | 116 | 116 | 306 | 362 |
| FDIC assessment | (52) | 53 | 48 | 163 |
| Accounts receivable financing expense | - | 15 | 3 | 51 |
| Other expense | 362 | 268 | 932 | 856 |
| Total noninterest expense | 3,513 | 3,466 | 10,415 | 10,521 |
| Income before income taxes | 1,511 | 1,208 | 3,955 | 3,481 |
| Income tax expense | 293 | 232 | 735 | 642 |
| Net income and net income available to common stockholders ... | \$ 1,218 | \$ 976 | \$ 3,220 | \$ 2,839 |
| Basic net income per common share | \$ 0.46 | \$ 0.37 | \$ 1.23 | \$ 1.08 |
| Diluted income per common share | \$ 0.46 | \$ 0.37 | \$ 1.23 | \$ 1.08 |
| Basic weighted average common shares outstanding | 2,625,695 | 2,612,468 | 2,619,572 | 2,621,308 |
| Diluted weighted average common shares outstanding | 2,633,711 | 2,621,783 | 2,627,542 | 2,630,444 |

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

| Selected Financial Data | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 | June 30, 2018 |
|--|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| Return on average common stockholders' equity ¹ | 11.08% | 10.75% | 11.61% | 13.57% | 11.70% | 11.42% |
| Tangible book value per share | \$14.99 | \$14.37 | \$13.80 | \$13.24 | \$12.59 | \$12.31 |
| Return on average assets ¹ | 0.92% | 0.85% | 0.89% | 1.01% | 0.85% | 0.85% |
| Net interest margin ¹ | 3.80% | 3.72% | 3.72% | 3.71% | 3.76% | 3.90% |
| Net interest income to average assets ¹ | 3.51% | 3.51% | 3.52% | 3.54% | 3.53% | 3.68% |
| Efficiency ratio | 69.9% | 71.1% | 73.1% | 73.5% | 74.3% | 75.0% |
| Nonperforming assets to total assets | 0.91% | 0.50% | 0.56% | 0.63% | 0.63% | 0.63% |

¹Annualized