

**FOR IMMEDIATE RELEASE****Contact: Tom Wayne, CEO and CFO****Phone: 336-644-9944****Oak Ridge Financial Services, Inc. Announces Fourth Quarter and Annual Results for 2019, Increase in the Quarterly Cash Dividend to \$0.06 Per Share, and Approval from Banking Regulators to Open High Point, NC Branch**

**Oak Ridge, NC: February 4, 2020** – 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 fourth quarter and full year ending December 31, 2019, an increase of \$0.01 in its quarterly cash dividend to \$0.06 per share, and approval from banking regulators to open a new, full service branch office in High Point, NC.

**Fourth Quarter and Full Year 2019 Highlights**

- Earnings per share of \$1.62 for 2019, up 10 cents, or 7%, from 2018; earnings per share of \$0.39 for the three months ended December 31, 2019, down 5 cents, or 11%, from 2018
- Return on average common stockholders’ equity of 11.25% for 2019, compared to 12.26% for 2018; return on average common stockholders’ equity of 10.23% for the three months ended December 31, 2019, compared to 13.57% for the same period in 2018
- Period end book value per common share of \$15.36, up \$2.12, or 16%, from December 31, 2018
- Period end loans of \$388.9 million, up 4.6% from December 31, 2018
- Period end deposits of \$398.6 million, up 4.3% from December 31, 2018
- Period end noninterest-bearing deposits of \$64.9 million, up 10.6% from December 31, 2018
- Period end nonperforming assets of \$3.9 million, up from \$2.8 million at December 31, 2018
- Paid four quarterly cash dividends of \$0.05 per share of common stock to stockholders
- Successfully converted to Fiserv DNA’s core banking system in March of 2019
- Renovated the Oak Ridge and Summerfield banking offices
- Recognized for the third consecutive year as one of the *Top 200 Publicly Traded Community Banks and Thrifts* by *American Banker* magazine, based on three-year average return on equity through December 31, 2018

Tom Wayne, CEO and Chief Financial Officer, reported, “We are very pleased with our 2019 financial results, with continued growth in net income, earnings per share, book value per share, earning assets, and noninterest-bearing deposits. Our conversion to Fiserv DNA’s core banking system in March required significant internal resources and our team prepared well for the conversion which is delivering a better banking experience for our clients. Lastly, the recognition we received from *American Banker* for the third consecutive year affirms of our success in creating value for our stockholders. I am very pleased with our overall performance in 2019 and thank 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 \$0.06 per share of common stock, which is a \$0.01 increase from the same period in 2019. The dividend will be paid on or about March 2, 2020 to stockholders of record as of the close of business on February 21, 2020. “We are pleased to announce an increase in the quarterly cash dividend 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 the Bank had received formal approval from its banking regulators open a new, full service branch office in High Point, NC at 2513 Eastchester Drive. The Bank plans to open the branch in the second half of 2020, and will offer a full suite of business and consumer banking products and services from this location. Tom Wayne commented, “Our opening of the High Point branch will better position us to provide that community with a responsive, local banking alternative. We believe that this office enhances our overall coverage of Guilford County, will contribute to further asset growth, and enhance long term returns for our shareholders.”

The Bank’s capital ratios remain strong and exceed all regulatory requirements at December 31, 2019. As of December 31, 2019, the Company’s stockholders’ equity was 8.5% of total assets, compared to 7.6% as of December 31, 2018.

With respect to the consolidated statement of operations for 2019 and 2018, net interest income was \$16.3 million for 2019, up \$623,000, or 4.0%, from \$15.7 million during the year ending December 31, 2018. For 2019, the net interest margin was 3.69% compared to 3.77% for year ending December 31, 2018, a decrease of 8 basis points. The primary reason for the decrease in the net interest margin was an increase in deposit funding costs due to the increase in short-term interest rates in 2019.

The Company recorded a provision for loan losses of \$185,000 in 2019, compared with a negative provision of \$96,000 in 2018. The allowance for loan losses as a percentage of total loans was 0.74% at December 31, 2019 compared to 0.90% at December 31, 2018. The reduction in the allowance for loan losses in 2019 was due to overall improvements in various quantitative and qualitative factors used in the determination of the allowance. Nonperforming assets represented 0.81% of total assets at December 31, 2019, compared to 0.63% at December 31, 2018.

Noninterest income totaled \$3.2 million in 2019, compared with \$3.1 million in 2018, an increase of \$104,000 or 3.4%. The biggest noninterest income category contributing to the increase was gain on sale of securities, which increased \$154,000 from 2018 to 2019. Noninterest expense totaled \$14.1 million in 2019, compared with \$14.0 million in 2018, an increase of \$112,000 or 0.8%.

### **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 delivers personal attention and convenience for every client. Substantially all of 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 2016 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 and Mobile 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**  
*December 31, 2019 (unaudited) and December 31, 2018*  
*(Dollars in thousands)*

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and due from banks .....	\$ 4,030	\$ 10,153
Interest-bearing deposits with banks .....	19,539	9,098
Total cash and cash equivalents .....	23,569	19,251
Securities available-for-sale .....	43,183	41,443
Securities held-to-maturity (fair values of \$898 in 2019 and \$1,030 in 2018) .....	730	892
Federal Home Loan Bank Stock, at cost .....	1,042	1,023
Loans, net of allowance for loan losses of \$2,886 in 2019 and \$3,347 in 2018 .....	386,056	368,562
Property and equipment, net .....	10,491	9,886
Accrued interest receivable .....	1,478	1,555
Bank owned life insurance .....	5,837	5,739
Right-of-use assets – operating leases .....	1,336	-
Other assets .....	1,984	4,990
Total assets .....	<u>\$ 475,706</u>	<u>\$ 453,341</u>
<b>Liabilities and Stockholders' Equity</b>		
<i>Liabilities</i>		
Deposits:		
Noninterest-bearing .....	\$ 64,883	\$ 58,672
Interest-bearing .....	333,732	323,646
Total deposits .....	398,615	382,318
Short-term borrowings .....	10,000	15,000
Long-term borrowings .....	6,184	1,304
Junior subordinated notes related to trust preferred securities .....	8,248	8,248
Subordinated debentures .....	5,608	5,581
Lease liabilities – operating leases .....	1,336	-
Accrued interest payable .....	281	263
Other liabilities .....	5,119	6,298
Total liabilities .....	<u>435,391</u>	<u>419,012</u>
<i>Stockholders' equity</i>		
Common stock, no par value; 50,000,000 shares authorized; 2,624,815 and 2,592,434 issued and outstanding in 2019 and 2018, respectively .....	24,850	24,353
Retained earnings .....	13,146	9,422
Accumulated other comprehensive income .....	2,319	554
Total stockholders' equity .....	<u>40,315</u>	<u>34,329</u>
Total liabilities and stockholders' equity .....	<u>\$ 475,706</u>	<u>\$ 453,341</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Operations**  
For the three months and years ended December 31, 2019 and 2018 (Unaudited)  
(Dollars in thousands except per share data)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
<b>Interest and dividend income</b>				
Loans and fees on loans.....	\$ 5,029	\$ 4,808	\$ 20,077	\$ 18,007
Interest on deposits in banks.....	73	84	371	258
Federal Home Loan Bank stock dividends.....	16	14	66	58
Investment securities.....	313	346	1,346	1,464
Total interest and dividend income.....	5,431	5,252	21,860	19,787
<b>Interest expense</b>				
Deposits.....	1,106	954	4,398	3,049
Short-term and long-term debt.....	277	288	1,162	1,061
Total interest expense.....	1,383	1,242	5,560	4,110
Net interest income.....	4,048	4,010	16,300	15,677
<b>Provision for loan losses</b> .....	-	(155)	185	(96)
Net interest income after provision for loan losses.....	4,048	4,165	16,115	15,773
<b>Noninterest income</b>				
Service charges on deposit accounts.....	196	164	732	664
Gain on sale of securities.....	-	10	164	10
Mortgage commissions.....	69	45	306	198
Investment commissions.....	-	-	-	21
Insurance commissions.....	80	80	349	307
Gain on sale of SBA loans.....	195	-	278	345
Fee income from accounts receivable financing.....	-	39	13	199
Debit and credit card interchange income.....	248	241	963	955
Income earned on bank owned life insurance.....	25	27	98	104
Other service charges and fees.....	67	65	267	263
Total noninterest income.....	880	671	3,170	3,066
<b>Noninterest expense</b>				
Salaries.....	1,701	1,713	6,678	6,805
Employee benefits.....	296	280	1,159	1,169
Occupancy expense.....	234	230	880	856
Equipment expense.....	242	196	915	709
Loss (gain) on sale of property and equipment.....	-	-	-	-
Data and item processing.....	508	438	1,962	1,654
Professional and advertising.....	176	94	584	667
Stationary and supplies.....	29	56	141	236
Net cost of foreclosed assets.....	40	-	52	2
Impairment loss on securities.....	12	13	28	28
Telecommunications expense.....	97	90	403	451
FDIC assessment.....	-	55	48	219
Accounts receivable financing expense.....	-	12	3	63
Other expense.....	338	264	1,222	1,104
Total noninterest expense.....	3,673	3,441	14,075	13,963
Income before income taxes.....	1,255	1,395	5,210	4,876
<b>Income tax expense</b> .....	225	255	960	896
<b>Net income and net income available to common stockholders</b> ...	\$ 1,030	\$ 1,140	\$ 4,250	\$ 3,980
<b>Basic net income per common share</b> .....	\$ 0.39	\$ 0.44	\$ 1.62	\$ 1.52
<b>Diluted income per common share</b> .....	\$ 0.39	\$ 0.44	\$ 1.62	\$ 1.52
<b>Basic weighted average common shares outstanding</b> .....	2,625,685	2,593,958	2,621,113	2,614,414
<b>Diluted weighted average common shares outstanding</b> .....	2,634,729	2,602,862	2,629,953	2,623,189

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

Selected Financial Data	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Return on average common stockholders' equity <sup>1</sup>	10.23%	11.08%	10.75%	11.61%	13.57%	11.70%
Tangible book value per share	\$15.36	\$14.99	\$14.37	\$13.80	\$13.24	\$12.59
Return on average assets <sup>1</sup>	0.86%	0.92%	0.85%	0.89%	1.01%	0.85%
Net interest margin <sup>1</sup>	3.57%	3.80%	3.72%	3.72%	3.71%	3.76%
Net interest income to average assets <sup>1</sup>	3.37%	3.51%	3.51%	3.52%	3.54%	3.53%
Efficiency ratio	74.53%	69.9%	71.1%	73.1%	73.5%	74.3%
Nonperforming assets to total assets	0.81%	0.91%	0.50%	0.56%	0.63%	0.63%

<sup>1</sup>Annualized