

FOR IMMEDIATE RELEASE**Contact: Tom Wayne, President and CFO****Phone: 336-644-9944****Oak Ridge Financial Services, Inc. Announces First Quarter 2020 Results and Quarterly Cash Dividend of \$0.06 Per Share**

Oak Ridge, NC: April 30, 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 three months ended March 31, 2020 and a quarterly cash dividend of \$0.06 per share.

First Quarter 2020 Highlights

- Basic and diluted earnings per share of \$0.07 for the three months ended March 31, 2020, down 32 cents from the same period in 2019
- Provision for loan losses of \$1.1 million for the three months ended March 31, 2020, compared to no provision for the same period in 2019
- Annualized return on average common stockholders’ equity of 1.68% for the three months ended March 31, 2020, compared to 11.61% for the same period in 2019
- Tangible book value per common share of \$15.22 at March 31, 2020, up \$1.42, or 10.3%, from March 31, 2019
- Period end loans of \$403.2 million, up 14.8% (annualized) from December 31, 2019
- Period end deposits of \$413.0 million, up 15.1% (annualized) from December 31, 2019
- Period end nonperforming assets of \$3.8 million, down slightly from \$3.9 million at December 31, 2019

Tom Wayne, Chief Executive and Chief Financial Officer, reported, “Our first quarter results reflect a \$1.1 million provision for loan losses to prepare for the economic challenges our borrowers may face as a result of the ongoing COVID-19 pandemic. Even with this significant provision I am pleased we remained profitable for the first three months of 2020. While it is difficult to accurately predict the next few quarters and the impact of COVID-19 on our local and national economy, I am thankful to have our experienced team of bankers and a supportive board of directors as we address future challenges and opportunities.”

The Company announced that its board of directors has declared a quarterly cash dividend of \$0.06 per share of common stock. The dividend will be paid on or about June 2, 2020 to stockholders of record as of the close of business on May 18, 2020. “We are pleased to announce our 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 effective as of the close of business on April 27, 2020, the Bank became a member bank of the Federal Reserve System through the Federal Reserve Bank of Richmond. The conversion from the Federal Deposit Insurance Corporation (“FDIC”) to the Federal Reserve System is not expected to affect the Bank’s clients in any way, and they will continue to receive the same insurance on deposits through the FDIC’s deposit insurance fund.

The Bank’s capital ratios remain strong and exceed all regulatory requirements at March 31, 2020. As of March 31, 2020, the Company’s stockholders’ equity was 8.2% of total assets, down from 8.5% as of December 31, 2019.

With respect to the consolidated statement of operations, net interest income before provision for loan losses was \$4.0 million for the first three months of 2020, which was slightly higher than the same period in 2019. For the three months ended March 31, 2020, the net interest margin was 3.55% compared to 3.72% for the same period in 2019, a decrease of 17 basis points.

The Company recorded a provision for loan losses of \$1.1 million for the three months ended March 31, 2020, compared with no provision for the same period in 2019. The allowance for loan losses as a percentage of total loans was 1.00% at March 31, 2020 compared to 0.90% at December 31, 2019. The increase in the allowance for loan losses in 2020 was largely the result of the Company increasing the qualitative factors in its allowance for loan loss model due to the deteriorating economic outlook related to COVID-19. Nonperforming assets represented 0.78% of total assets at March 31, 2020, compared to 0.82% at December 31, 2019.

Noninterest income totaled \$673,000 for the three months ended March 31, 2020, compared with \$601,000 for the same period in 2019, an increase of \$72,000 or 12.0%. The biggest noninterest income categories contributing to the net increase were increases in service charges on deposit accounts and debit and credit card interchange income, which increased \$36,000 and \$37,000, respectively, from 2019 to 2020.

Noninterest expense totaled \$3.3 million for the three months ended March 31, 2020, compared with \$3.4 million for the same period in 2019, a decrease of \$30,000 or 0.9%. The majority of the decrease was due to an aggregate decrease in salaries from 2019 to 2020. Salaries decreased primarily due to lower quarterly incentive accruals in 2020, partially offset by annual merit increases effective January 1, 2020.

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.

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
March 31, 2020 (Unaudited) and December 31, 2019 (Audited)
(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and due from banks	\$ 9,533	\$ 4,030
Interest-bearing deposits with banks	15,419	19,539
Total cash and cash equivalents	24,952	23,569
Securities available-for-sale	43,354	41,183
Securities held-to-maturity (fair values of \$731 in 2020 and \$898 in 2019)	704	730
Federal Home Loan Bank Stock, at cost	1,147	1,042
Loans, net of allowance for loan losses of \$4,016 in 2020 and \$2,886 in 2019	399,208	386,056
Property and equipment, net	10,418	10,491
Accrued interest receivable	1,456	1,478
Bank owned life insurance	5,860	5,837
Right-of-use assets – operating leases	1,256	1,336
Other assets	4,081	3,984
Total assets	<u>\$ 492,436</u>	<u>\$ 475,706</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 66,832	\$ 64,374
Interest-bearing	346,202	333,752
Total deposits	413,034	398,126
Short-term borrowings	17,000	15,000
Long-term borrowings	1,151	1,184
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	5,615	5,608
Lease liabilities – operating leases	1,256	1,336
Accrued interest payable	304	281
Other liabilities	5,565	5,608
Total liabilities	<u>452,173</u>	<u>435,391</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,644,990 and 2,621,315 issued and outstanding in 2020 and 2019, respectively	24,599	24,850
Retained earnings	13,160	13,146
Accumulated other comprehensive income	2,504	2,319
Total stockholders' equity	<u>40,263</u>	<u>40,315</u>
Total liabilities and stockholders' equity	<u>\$ 492,436</u>	<u>\$ 475,706</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Income
Three months ended March 31, 2020 and 2019 (Unaudited)
(Dollars in thousands except per share data)

	<u>2020</u>	<u>2019</u>
Interest and dividend income		
Loans and fees on loans	\$ 4,924	\$ 4,880
Interest on deposits in banks	65	104
Federal Home Loan Bank stock dividends	16	17
Taxable investment securities	298	342
Total interest and dividend income	<u>5,303</u>	<u>5,344</u>
Interest expense		
Deposits	1,060	1,072
Short-term and long-term debt	274	313
Total interest expense	<u>1,333</u>	<u>1,385</u>
Net interest income	3,969	3,959
Provision for (recovery of) loan losses	<u>1,140</u>	<u>(40)</u>
Net interest income after provision for loan losses	<u>2,829</u>	<u>3,999</u>
Noninterest income		
Service charges on deposit accounts	181	145
Brokerage commissions on mortgage loans	82	67
Insurance commissions	84	87
Gain on sale of SBA loans	-	-
Fee income from accounts receivable financing	-	12
Debit and credit card interchange income	243	206
Income earned on bank owned life insurance	24	24
Other service charges and fees	59	61
Total noninterest income	<u>673</u>	<u>601</u>
Noninterest expense		
Salaries	1,546	1,674
Employee benefits	272	285
Occupancy	236	218
Equipment	245	191
Data and item processing	512	455
Professional and advertising	166	95
Stationary and supplies	34	50
Net cost of foreclosed assets	5	-
Impairment loss on securities	-	7
Telecommunications	77	94
FDIC assessment	13	50
Accounts receivable financing	-	4
Other expense	228	241
Total noninterest expense	<u>3,334</u>	<u>3,364</u>
Income before income taxes	168	1,236
Income tax expense (benefit)	<u>(4)</u>	<u>228</u>
Net income and income available to common stockholders	<u>\$ 172</u>	<u>\$ 1,008</u>
Basic income per common share	<u>\$ 0.07</u>	<u>\$ 0.39</u>
Diluted income per common share	<u>\$ 0.07</u>	<u>\$ 0.39</u>
Basic weighted average shares outstanding	<u>2,635,135</u>	<u>2,607,121</u>
Diluted weighted average shares outstanding	<u>2,644,434</u>	<u>2,616,273</u>

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

Selected Financial Data	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Return on average common stockholders' equity ¹	1.68%	10.23%	11.08%	10.75%	11.61%	13.57%
Tangible book value per share	\$15.22	\$15.36	\$14.99	\$14.37	\$13.80	\$13.24
Return on average assets ¹	0.14%	0.86%	0.92%	0.85%	0.89%	1.01%
Net interest margin ¹	3.55%	3.57%	3.80%	3.72%	3.72%	3.71%
Net interest income to average assets ¹	3.23%	3.37%	3.51%	3.51%	3.52%	3.54%
Efficiency ratio	71.82%	74.53%	69.9%	71.1%	73.1%	73.5%
Nonperforming assets to total assets	0.78%	0.81%	0.91%	0.50%	0.56%	0.63%

¹Annualized