

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

Oak Ridge, NC: August 3, 2020 (GLOBE NEWSWIRE) – Oak Ridge Financial Services, Inc. (“Oak Ridge”; or the “Company”) (OTCPink: BKOR), the parent company of Bank of Oak Ridge (the “Bank”), announced unaudited financial results for the second quarter of 2020 and a quarterly cash common dividend of \$0.06 per share.

Second Quarter 2020 Highlights

- Basic and diluted earnings per share of \$0.45 for the three months ended June 30, 2020, up \$0.07, or 18.4%, from \$0.38 for the same period in 2019
- Return on average common stockholders’ equity of 11.61% (annualized) for the three months ended June 30, 2020, compared to 10.75% (annualized) for the same period in 2019
- Period end loans net of outstanding Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) loans of \$405.3 million, up 4.2% (8.4% annualized) from December 31, 2019
- Period end loans of \$452.3 million, up 16.3% (32.7% annualized) from December 31, 2019
- Through July 31, 2020, the Bank has funded 587 PPP loans totaling \$49.6 million, and had collected fees from the SBA of \$1.96 million; these fees will be recognized as interest income over the life of the PPP loans
- Proactively deferred \$133.0 million in loans as of June 30, 2020 in response to COVID-19
- Loan loss provisions through the six months ended June 30, 2020 were \$1.6 million, up from \$185,000 for the same period in 2019, most of the 2020 loan loss provisions are related to the potential adverse economic impact of the COVID-19 pandemic
- Period end deposits of \$463.0 million, up 16.3% (32.8% annualized) from December 31, 2019
- Period end noninterest-bearing deposits of \$101.9 million, up 58.3% (117.3% annualized) from December 31, 2019
- On June 4, 2020, the Company completed a private placement of \$10 million of subordinated notes to certain qualified institutional and other accredited investors. The Company intends to use the net proceeds for general corporate purposes, including possible repayment of the currently outstanding subordinated debt which is callable in 2021
- Nonperforming assets of \$3.6 million, down 7.7% from December 31, 2019
- On April 27, 2020, the Bank became a member bank of the Federal Reserve System through the Federal Reserve Bank of Richmond
- Named to *American Banker* magazine’s Top 200 Publicly Traded Community Banks and Thrifts. The ranking is based on a company’s three-year average return on average equity (ROAE) through December 31, 2019. The Company came in at #90, up 20 spots from last year. This is the fourth consecutive year the Company has been named to the prestigious list.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, “In the midst of the unprecedented challenges presented by the ongoing COVID-19 pandemic, I am extremely pleased with our financial performance thus far in 2020, and very proud of our bank’s support of the local community through our participation in the PPP program and our loan deferral program which is structured to assist borrowers that have been impacted by COVID-19. Since the pandemic began, we have followed local, state, and national guidelines, and have adapted our sales and service processes to seamlessly service our clients and new clients while keeping our teams safe. 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 is payable on September 4, 2020 to stockholders of record as of the close of business on August 21, 2020. “We are pleased to announce our quarterly cash dividend to our stockholders,” said Tom Wayne. “Paying stockholders a portion of our earnings reflects our continuing commitment to enhance stockholder value.”

The Bank’s capital ratios remain strong and exceeded all regulatory requirements at June 30, 2020. As of June 30, 2020, the Company’s stockholders’ equity was 7.7% of total assets, down from 8.5% as of December 31, 2019.

With respect to the consolidated statement of operations for the three months ended June 30, 2020, net interest income was \$4.4 million, which was an increase from \$4.1 million during the same period in 2019. For the three months ended June 30, 2020, the net interest margin was 3.60% compared to 3.72% for the same period in 2019, a decrease of 12 basis points. For the six months ended June 30, 2020, net interest income was \$8.4 million, compared to \$8.1 million during the same period in 2019. The net interest margin was 3.58% for the six months ended June 30, 2020, compared to 3.72% for the same period in 2019, a decrease of 14 basis points.

The Company recorded a provision for loan losses of \$489,000 for the three months ended June 30, 2020, compared with a provision of \$225,000 for the same period in 2019. For the six months ended June 30, 2020 the Company recorded a provision of \$1.6 million compared with a provision of \$185,000 for the same period in 2019. The allowance for loan losses as a percentage of total loans was 1.00% at June 30, 2020 compared to 0.90% at December 31, 2019. The allowance for loan losses as a percentage of total loans not including PPP loans was 1.11% at June 30, 2020. 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 0.65% of total assets at June 30, 2020, compared to 0.82% at December 31, 2019.

Noninterest income totaled \$946,000 for the three months ended June 30, 2020, compared with \$847,000 for the same period in 2019, an increase of \$99,000 or 11.7%. The biggest contributor to the increase was a gain on sale of SBA loans (not PPP loans) of \$261,000 in the second quarter of 2020 and no such gains in the comparable period in 2019. A \$164,000 gain on sale of securities for the three months ended June 30, 2019, and no such gain in 2020 partially offset the increase in gain on sale of SBA loans. Noninterest income totaled \$1.6 million for the six months ended June 30, 2020, compared with \$1.4 million for the same period in 2019, an increase of \$170,000 or 11.7%. The biggest contributor to the increase was a gain on sale of SBA loans (not PPP loans) of \$261,000 in the second quarter of 2020 and no such gains in the comparable period in 2019. A \$164,000 gain on sale of securities for the three months ended June 30, 2019, and no such gain in 2020 partially offset the increase in gain on sale of SBA loans.

Noninterest expense totaled \$3.4 million in the three months ended June 30, 2020, a decrease of \$144,000, or 4.1%, from the same period in 2019. A decrease in salaries, primarily due to credits in payroll taxes as a result of provisions in the CARES Act, was responsible for most of this decrease. Noninterest expense totaled \$6.7 million in the six months ended June 30, 2020, a decrease of \$174,000, or 2.5%, from 2019. A decrease in salaries, primarily due to credits in payroll taxes as a result of provisions in the CARES Act as well as lower incentive payments in 2020 compared to 2019, was responsible for most of this decrease.

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
June 30, 2020 (Unaudited) and December 31, 2019 (Audited)
(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and due from banks	\$ 11,455	\$ 4,030
Interest-bearing deposits with banks	17,712	19,539
Total cash and cash equivalents	29,167	23,569
Securities available-for-sale	44,125	41,183
Securities held-to-maturity (fair values of \$777 in 2020 and \$898 in 2019)	651	730
Federal Home Loan Bank Stock, at cost	1,880	1,042
Loans, net of allowance for loan losses of \$4,505 in 2020 and \$2,886 in 2019	447,755	386,056
Property and equipment, net	10,230	10,491
Accrued interest receivable	2,986	1,478
Bank owned life insurance	5,883	5,837
Right-of-use assets – operating leases	1,174	1,336
Other assets	3,903	3,984
Total assets	<u>\$ 547,754</u>	<u>\$ 475,706</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 101,930	\$ 64,374
Interest-bearing	361,041	333,752
Total deposits	462,971	398,126
Short-term borrowings	10,000	15,000
Long-term borrowings	1,085	1,184
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	15,431	5,608
Lease liabilities – operating leases	1,174	1,336
Accrued interest payable	176	281
Other liabilities	6,424	5,608
Total liabilities	<u>505,509</u>	<u>435,391</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,643,945 and 2,621,315 issued and outstanding in 2020 and 2019, respectively	24,720	24,850
Retained earnings	14,227	13,146
Accumulated other comprehensive income	3,298	2,319
Total stockholders' equity	<u>42,245</u>	<u>40,315</u>
Total liabilities and stockholders' equity	<u>\$ 547,754</u>	<u>\$ 475,706</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Operations
For the three months and six months ended June 30, 2020 and 2019 (Unaudited)
(Dollars in thousands except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest and dividend income				
Loans and fees on loans.....	\$ 5,221	\$ 5,048	\$ 10,145	\$ 9,927
Interest on deposits in banks.....	3	90	68	172
Federal Home Loan Bank stock dividends	25	17	41	33
Investment securities	317	368	615	734
Total interest and dividend income.....	5,566	5,523	10,869	10,866
Interest expense				
Deposits.....	854	1,129	1,914	2,201
Short-term and long-term debt.....	265	277	538	590
Total interest expense	1,119	1,406	2,452	2,791
Net interest income.....	4,447	4,117	8,417	8,075
Provision for loan losses				
Net interest income after provision for loan losses.....	3,958	3,892	6,788	7,890
Noninterest income				
Service charges on deposit accounts.....	128	195	309	340
Gain on sale of securities.....	-	164	-	164
Brokerage commissions on mortgage loans	116	68	198	136
Insurance commissions.....	88	81	172	168
Gain on sale of SBA loans.....	261	-	261	-
Fee income from accounts receivable financing.....	1	1	1	12
Debit and credit card interchange income	278	252	521	458
Income earned on bank owned life insurance.....	23	24	47	48
Other service charges and fees.....	51	62	110	123
Total noninterest income	946	847	1,619	1,449
Noninterest expense				
Salaries	1,341	1,598	2,888	3,272
Employee benefits	229	275	501	560
Occupancy expense	217	208	452	427
Equipment expense.....	248	271	493	461
Data and item processing.....	581	526	1,093	976
Professional and advertising.....	148	183	314	287
Stationary and supplies	19	39	52	90
Impairment loss on securities	22	4	22	10
Telecommunications expense.....	104	95	182	189
FDIC assessment	74	48	87	99
Accounts receivable financing expense.....	-	-	-	3
Other expense	403	283	636	520
Total noninterest expense	3,386	3,530	6,720	6,894
Income before income taxes	1,518	1,209	1,687	2,445
Income tax expense	317	214	314	442
Net income and net income available to common stockholders	\$ 1,201	\$ 995	\$ 1,373	\$ 2,003
Basic net income per common share	\$ 0.45	\$ 0.38	\$ 0.52	\$ 0.77
Diluted income per common share	\$ 0.45	\$ 0.38	\$ 0.52	\$ 0.76
Basic weighted average common shares outstanding	2,644,388	2,625,695	2,639,787	2,616,459
Diluted weighted average common shares outstanding	2,652,469	2,633,641	2,648,468	2,624,405

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

Selected Financial Data	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Return on average common stockholders' equity ¹	11.66%	1.68%	10.23%	11.08%	10.75%	11.61%
Tangible book value per share	\$15.98	\$15.22	\$15.36	\$14.99	\$14.37	\$13.80
Return on average assets ¹	0.92%	0.14%	0.86%	0.92%	0.85%	0.89%
Net interest margin ¹	3.60%	3.55%	3.57%	3.80%	3.72%	3.72%
Net interest income to average assets ¹	3.41%	3.23%	3.37%	3.51%	3.51%	3.52%
Efficiency ratio	62.79%	71.82%	74.53%	69.9%	71.1%	73.1%
Nonperforming assets to total assets	0.65%	0.78%	0.81%	0.91%	0.50%	0.56%

¹Annualized