



For Immediate Release

Contact: Skylar Mearing, Director of Marketing
Phone: 336.644.4840

Oak Ridge Financial Services, Inc. Announces Fourth Quarter and Full Year 2022 Results and Quarterly Cash Dividend of \$0.08 per share

OAK RIDGE, N.C., February 2, 2023 (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 fourth quarter and full year of 2022, and a quarterly cash dividend of \$0.08 per share.

Fourth Quarter and Full Year 2022 Highlights

- Earnings per share of \$2.47 for 2022, down \$0.44, or 15.1%, from 2021; earnings per share of \$0.63 for the three months ended December 31, 2022, down eleven cents, or 14.9%, from the same period in 2021.
- Return on average common stockholders' equity of 12.95% for 2022, compared to 15.70% for 2021; return on average common stockholders' equity of 12.98% for the three months ended December 31, 2022, compared to 15.70% for the same period in 2021.
- Recovery of loan losses for the years ended December 31, 2022 and 2021 of \$41,000 and \$682,000, respectively; recovery of loan losses for the three months ended December 31, 2022 and 2021 of \$182,000 and \$435,000, respectively.
- Tangible book value per common share of \$19.48, up 1.50%, or 28 cents, from \$19.20 as of December 31, 2021 despite a \$5.2 million decrease in accumulated other comprehensive income ("AOCI") from December 31, 2021 to December 31, 2022, which would have otherwise caused a decrease in book value per share during the same period of time. AOCI is part of total book value.
- Through December 31, 2022, the Bank has recognized almost 100% of the unamortized fees and associated costs on \$80.0 million of first and second round Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans.
- Period end total loans of \$436.0 million as of December 31, 2022, up 1.5% from total loans of \$429.7 million as of December 31, 2021. Period end total loans (excluding PPP loans) of \$436.0 million as of December 31, 2022, up 9.9% from total loans (excluding PPP loans) of \$396.5 million as of December 31, 2021.
- Period end deposits of \$481.0 million, down 5.6% from December 31, 2021. Period end noninterest-bearing deposits of \$120.3 million, up 3.2% from December 31, 2021.
- Period end allowance for loan losses of \$4.8 million, up 29.1%, from \$3.8 million as of December 31, 2021.
- Nonperforming assets of \$739,000, down 74.5% from \$2.9 million as of December 31, 2021.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "I am extremely pleased with our continued strong financial performance in 2022 despite the reduction in the Bank's PPP income from 2021 to 2022. Our team has shown great resilience and performance as we navigate the changing economic and social environment, with the Company producing greater than double digit return on equity for the last seven consecutive quarters. Additionally, our ratio of nonperforming assets to total assets declined from 0.51% on December 31, 2021, to 0.13% on December 31, 2022."

A quarterly cash dividend of \$0.08 per share of common stock is payable on March 3, 2023 to stockholders of record as of the close of business on February 15, 2023. "We are pleased to pay another quarterly cash dividend to our stockholders," said Mr. Wayne. "Paying stockholders a portion of our earnings reflects our continuing commitment to enhance stockholder value."

As of December 31, 2022, the Bank's Community Bank Leverage Ratio was 11.4%, up from 10.2% as of December 31, 2021. Stockholders' equity on December 31, 2022, was \$52.6 million, up 2.6% from \$51.3 million on December 31, 2021. Net income of \$6.7 million offset by a decrease in accumulated other comprehensive income of \$5.2 million for the year ended December 31, 2022, was the principal factor for the net increase in stockholders' equity from 2021 to 2022.

For the year ended December 31, 2022, net interest income was \$21.7 million, compared to \$21.0 million in 2021. The annualized net interest margin was 3.96% for the year ended December 31, 2022, unchanged from 2021. For the three months ended December 31, 2022 and 2021, net interest income was \$5.4 million and \$5.0 million, respectively. For the three months ended December 31, 2022, the annualized net interest margin was 4.02% compared to 3.65% for the same period in 2021, an increase of 37 basis points.

For the year ended December 31, 2022, the Company recorded a recovery of provision for loan losses of \$41,000, compared to a recovery of provision for loan losses of \$682,000 for the same period in 2021. For the three months ended December 31, 2022, the Company recorded a recovery of provision for loan losses of \$182,000, compared to a recovery of provision for loan losses of \$435,000 for the same period in 2021. The allowance for loan losses as a percentage of total loans was 1.11% on December 31, 2022, compared to 0.87% on December 31, 2021. The increase in the allowance for loan losses in 2022 was partly the result of the Company increasing the qualitative factors in its allowance for loan loss model due to slowing economic growth and a decline in the overall economic outlook, and an increase in reserves on specific loans. Nonperforming assets represented 0.13% of total assets on December 31, 2022, compared to 0.51% on December 31, 2021.

Noninterest income totaled \$4.1 million for the year ended December 31, 2022, unchanged compared to the same period in 2021. There were increases and decreases in components of noninterest income from 2021 to 2022. Losses on sale(s) of investment securities were \$131,000 in 2022 compared to gains on sale(s) of investment securities of \$182,000 in 2021. Additionally, other service charges, fees, and income increased \$250,000 from 2021 to 2022 due mostly to an increase of \$181,000 in fee income earned from selling deposits to other banks and smaller increases in fees from other services. Noninterest income totaled \$1.0 million for the three months ended December 31, 2022, compared to \$1.8 million for the same period in 2021. Gain on sale(s) of Small Business Administration loans were \$356,000 for the three months ended December 31, 2022, compared to \$1.0 million for the same period in 2021. Losses on sale(s) of investment securities were \$131,000 in 2022 compared to no gains or losses on sale(s) of investment securities 2021. Additionally, other service charges, fees, and income increased \$149,000 from 2021 to 2022 due mostly to an increase of \$110,000 in fee income earned from selling deposits to other banks and smaller increases in fees from other services.

Noninterest expense totaled \$17.4 million for the year ended December 31, 2022, compared to \$16.0 million for the same period in 2021. Salaries increased \$1.1 million from 2021 to 2022 which accounted for most of the \$1.4 million increase in noninterest expense during the same period. Most of the increase in salaries was a result of increased employee salaries of \$531,000, increased expense related to restricted stock vesting of \$160,000, increased incentive and commission expense of \$336,000, increased payroll tax expense of \$291,000 because of a loss contingency related to the Cares Act Employer Retention Credit, and a decrease in deferred loan costs of \$289,000. Professional and advertising expenses increased \$273,000 from 2021 to 2022 due to increases in contracted IT services and audit fees of \$356,000 and \$48,000, respectively, offset by a decrease in legal fees of \$126,000. Other noninterest expense increased \$321,000 from 2021 to 2022 due to increases in annual license fees, insurance expense, appraisal fees, and director fees of \$125,000, \$89,000, \$32,000, and \$27,000, respectively. Noninterest expense totaled \$4.5 million for the three months ended December 31, 2022, compared to \$4.7 million for the same period in 2021. Salaries decreased \$307,000 from the three months ended December 31, 2021 to the same period in 2022 which accounted for most of the \$200,000 decrease in noninterest expense during the same period. Most of the increase in salaries was a result of increased employee salaries of \$211,000, increased incentive and commission expense of \$77,000, which were partially offset by a decrease in payroll tax expense of \$555,000 because of a loss contingency related to the Cares Act Employer Retention Credit and a decrease in deferred loan costs of \$36,000.

About Oak Ridge Financial Services, Inc., and Bank of Oak Ridge

At Bank of Oak Ridge, we pride ourselves on knowing your name when you walk through our door. Whether in-person or through our digital offerings, managing your financial well-being is easy, safe, and convenient. We are the longest-running employee-owned community bank in the Triad and have served community members, local businesses, and non-profit organizations since 2000. Learn more about what makes Bank of Oak Ridge the Triad's community bank by visiting one of our convenient locations in Greensboro, High Point, Summerfield & Oak Ridge.

Oak Ridge Financial Services, Inc. (OTC Pink: BKOR) is the holding company for Bank of Oak Ridge. Bank of Oak Ridge is a member of the FDIC and an Equal Housing Lender.

Awards & Recognitions | Best Bank in the Triad | Triad's Top Workplace Finalist | 2016 Better Business Bureau Torch Award for Business Ethics | Triad's Healthiest Employer Winner

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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

As of December 31, 2022 (Unaudited) and December 31, 2021 (Audited)

(Dollars in thousands)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 12,467 | \$ 8,998 |
| Interest-bearing deposits with banks | <u>37,889</u> | <u>79,086</u> |
| Total cash and cash equivalents | 50,356 | 88,084 |
| Securities available-for-sale | 80,939 | 46,948 |
| Securities held-to-maturity | 311 | 387 |
| Restricted stock, at cost | 2,626 | 1,324 |
| Loans, net of allowance for loan losses of \$4,851 and \$3,756 at December 31, 2022, and December 31, 2021, respectively | 431,127 | 425,900 |
| Property and equipment, net | 9,192 | 9,907 |
| Accrued interest receivable | 1,996 | 1,842 |
| Bank owned life insurance | 6,095 | 6,014 |
| Right-of-use assets – operating leases | 1,183 | 1,594 |
| Other assets | <u>5,456</u> | <u>4,921</u> |
| Total assets | <u>\$ 589,281</u> | <u>\$ 586,921</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 120,263 | \$ 116,525 |
| Interest-bearing | <u>360,722</u> | <u>392,754</u> |
| Total deposits | 480,985 | 509,279 |
| Short-term borrowings | 30,000 | - |
| Long-term borrowings | 418 | 683 |
| Junior subordinated notes – trust preferred securities | 8,248 | 8,248 |
| Subordinated debentures | 9,903 | 9,863 |
| Lease liabilities – operating leases | 1,183 | 1,594 |
| Accrued interest payable | 226 | 110 |
| Other liabilities | <u>5,675</u> | <u>5,816</u> |
| Total liabilities | <u>536,638</u> | <u>535,593</u> |
| Stockholders' equity | | |
| Common stock, no par value; 50,000,000 shares authorized; 2,702,020 and 2,672,620 issued and outstanding at December 31, 2022, and December 31, 2021, respectively | 26,207 | 25,532 |
| Retained earnings | 28,642 | 22,815 |
| Accumulated other comprehensive income (loss) | <u>(2,206)</u> | <u>2,981</u> |
| Total stockholders' equity | <u>52,643</u> | <u>51,328</u> |
| Total liabilities and stockholders' equity | <u>\$ 589,281</u> | <u>\$ 586,921</u> |

Oak Ridge Financial Services, Inc.
Consolidated Statements of Income (Unaudited)
For the three and year ended December 31, 2022 and 2021
(Dollars in thousands)

| | Three months ended December 31, | | Year ended December 31, | |
|---|---------------------------------|------------------|-------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest and dividend income | | | | |
| Loans and fees on loans | \$ 5,488 | \$ 5,135 | \$ 21,223 | \$ 21,922 |
| Interest on deposits in banks | 144 | 23 | 514 | 35 |
| Restricted stock dividends | 9 | 18 | 66 | 78 |
| Interest on investment securities | 780 | 317 | 2,234 | 1,340 |
| Total interest and dividend income | <u>6,421</u> | <u>5,493</u> | <u>24,037</u> | <u>23,375</u> |
| Interest expense | | | | |
| Deposits | 554 | 279 | 1,269 | 1,306 |
| Short-term and long-term debt | 418 | 204 | 1,114 | 1,059 |
| Total interest expense | <u>972</u> | <u>483</u> | <u>2,383</u> | <u>2,365</u> |
| Net interest income | 5,449 | 5,010 | 21,654 | 21,010 |
| Provision for (recovery of) loan losses | | | | |
| Net interest income after provision for loan losses | <u>(182)</u> | <u>(435)</u> | <u>(41)</u> | <u>(682)</u> |
| Noninterest income | | | | |
| Service charges on deposit accounts | 153 | 144 | 591 | 534 |
| Brokerage commissions on mortgage loans | 18 | 91 | 200 | 290 |
| Insurance commissions | 113 | 92 | 463 | 413 |
| Gain on sale of Small Business Administration loans | 356 | 1,049 | 1,074 | 1,105 |
| Debit and credit card interchange income | 272 | 300 | 1,163 | 1,129 |
| Income from Small Business Investment Company | 10 | 102 | 179 | 102 |
| Gain (loss) on sale of investment securities | (131) | - | (131) | 182 |
| Income earned on bank owned life insurance | 21 | 21 | 81 | 84 |
| Other service charges, fees, and income | 191 | 42 | 450 | 251 |
| Total noninterest income | <u>1,003</u> | <u>1,841</u> | <u>4,070</u> | <u>4,090</u> |
| Noninterest expense | | | | |
| Salaries | 2,296 | 2,603 | 8,870 | 7,801 |
| Employee benefits | 301 | 289 | 1,118 | 1,119 |
| Occupancy | 283 | 285 | 1,111 | 1,086 |
| Equipment | 229 | 280 | 962 | 1,109 |
| Data and item processing | 463 | 550 | 1,728 | 1,925 |
| Professional and advertising | 267 | 107 | 1,104 | 831 |
| Stationery and supplies | 26 | 39 | 106 | 179 |
| Impairment loss on securities | 9 | 46 | 22 | 74 |
| Telecommunications | 114 | 88 | 438 | 369 |
| FDIC assessment | 74 | 30 | 291 | 171 |
| Other expense | 431 | 460 | 1,647 | 1,326 |
| Total noninterest expense | <u>4,493</u> | <u>4,777</u> | <u>17,397</u> | <u>15,990</u> |
| Income before income taxes | 2,141 | 2,509 | 8,368 | 9,792 |
| Income tax expense | | | | |
| | <u>449</u> | <u>534</u> | <u>1,706</u> | <u>2,029</u> |
| Net income and income available to common stockholders | <u>\$ 1,692</u> | <u>\$ 1,975</u> | <u>\$ 6,662</u> | <u>\$ 7,763</u> |
| Basic and diluted income per common share | <u>\$ 0.63</u> | <u>\$ 0.74</u> | <u>\$ 2.47</u> | <u>\$ 2.91</u> |
| Basic and diluted weighted average shares outstanding | <u>2,702,058</u> | <u>2,672,620</u> | <u>2,697,538</u> | <u>2,668,720</u> |

| Selected Financial Data | December 31, 2022 | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|--|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|
| Return on average common stockholders' equity ¹ | 12.98 % | 12.35 % | 13.52 % | 13.07 % | 15.70 % | 16.40 % |
| Tangible book value per share | \$ 19.48 | \$ 18.67 | \$ 18.77 | \$ 18.63 | \$ 19.20 | \$ 18.72 |
| Return on average assets ¹ | 1.18 % | 1.08 % | 1.11 % | 1.14 % | 1.36 % | 1.41 % |
| Net interest margin ¹ | 4.02 % | 4.10 % | 3.66 % | 4.07 % | 3.65 % | 3.94 % |
| Efficiency ratio | 69.64 % | 66.76 % | 68.93 % | 65.10 % | 69.73 % | 63.08 % |
| Nonperforming assets to total assets | 0.13 % | 0.15 % | 0.14 % | 0.16 % | 0.51 % | 0.50 % |

¹Annualized