



For Immediate Release

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Oak Ridge Financial Services, Inc. Announces Second Quarter 2022 Results

OAK RIDGE, N.C., July 22, 2022 (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 three and six months ended June 30, 2022.

June 30, 2022 Highlights

- Basic and diluted earnings per share of \$0.63 for the three months ended June 30, 2022, down two cents, or 3.1%, from the comparable 2021 period;
- Annualized return on average common stockholders' equity of 13.52% for the three months ended June 30, 2022, compared to 14.71% for the same period in 2021;
- Tangible book value per common share of \$18.77 as of June 30, 2022, up 4.7%, or \$0.84, from \$17.93 as of June 30, 2021;
- Through June 30, 2022, have forgiven and recognized 94% of the unamortized fees and associated costs on the \$80.0 million of first and second round of Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans;
- Period end total loans of \$432.4 million, up 0.64% (1.27% annualized), or \$2.7 million, from \$429.7 million as of December 31, 2021;
- Period end allowance for loan losses of \$4.8 million, up 27.1%, from \$3.8 million on December 31, 2021;
- Nonperforming assets of \$884,000, down 69.5% from \$2.9 million on December 31, 2021;
- Period end deposits of \$535.5 million, up 5.1%, or \$26.2 million from \$509.3 million as of December 31, 2021; and
- 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, 2021. This is the sixth consecutive year the Company has been on the prestigious list.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "I am extremely pleased with our continued strong financial performance in the second quarter of 2022 given the reduction in the bank's PPP income. 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 six consecutive quarters. Additionally, our nonperforming assets to total assets declined from 0.51% on December 31, 2021, to 0.14% on June 30, 2022."

A quarterly cash dividend of \$0.08 per share of common stock is payable on September 2, 2022, to stockholders of record as of the close of business on August 19, 2022. "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 June 30, 2022, the Bank's Community Bank Leverage Ratio was 10.2%, unchanged from December 31, 2021. Stockholders' equity on June 30, 2022, was \$50.7 million, down 1.2% from \$51.3 million on December 31, 2021, due to an increase in accumulated other comprehensive loss in 2022.

For for the three months ended June 30, 2022 and 2021, net interest income was \$5.2 million and \$5.1 million, respectively. For the three months ended June 30, 2022, the annualized net interest margin was 3.66% compared to 3.79% for the same period in 2021, a decrease of 13 basis points. For the six months ended June 30, 2022, net

interest income was \$10.6 million, compared to \$10.7 million during the same period in 2021. The annualized net interest margin was 3.87% for the six months ended June 30, 2022, compared to 4.02% for the same period in 2021, a decrease of 15 basis points.

The Company recorded a recovery of provision for loan losses of \$107,000 for the three months ended June 30, 2022, with no provision for loan losses for the same period in 2021. For the six months ended June 30, 2022 and 2021, the Company recorded a recovery of provision for loan losses of \$19,000 and \$112,000, respectively. The allowance for loan losses as a percentage of total loans was 1.10% on June 30, 2022, compared to 0.87% on December 31, 2021. The increase in the allowance for loan losses in 2022 was largely the result of the Company increasing the qualitative factors in its allowance for loan loss model due to the declining overall economic outlook. Nonperforming assets represented 0.14% of total assets on June 30, 2022, compared to 0.64% on December 31, 2021.

Noninterest income totaled \$1.3 million for the three months ended June 30, 2022, compared with \$659,000 for the same period in 2021, an increase of \$641,000 or 97.3%. The biggest contributor to the increase was gains on sales of SBA loans (not PPP loans) of \$485,000 in the second quarter of 2022 and no gains in the comparable period in 2021. Additionally, Income from Small Business Investment Company totaled \$100,000 for the three months ended June 30, 2022, with no income in the comparable period in 2021. Noninterest income totaled \$2.1 million for the six months ended June 30, 2022, compared with \$1.3 million for the same period in 2021, an increase of \$750,000 or 56.4%. The biggest contributor to the increase was gains on sales of SBA loans (not PPP loans) of \$514,000 for the six months ended June 30, 2022, with no gains in the comparable period in 2021. Additionally, Income from Small Business Investment Company totaled \$100,000 for the six months ended June 30, 2022, with no income in the comparable period in 2021.

Noninterest expense totaled \$4.5 million in the three months ended June 30, 2022, an increase of \$827,000, or 22.7%, from the same period in 2021. The increase was driven by higher employee salaries which increased by \$875,000 compared to the prior year period, partly due to annual merit increases effective November 1, 2021, higher 2022 commissions, and the absence of the Cares Act Employer Retention Credit in 2022. Additionally, other expenses increased \$113,000 compared to the prior year period partly due to increased expenses related to SBA lending, deposit losses, insurance expenses, annual license fees, and appraisal fees. Noninterest expense totaled \$8.5 million in the six months ended June 30, 2022, an increase of \$1.1 million, or 15.2%, from 2021. The increase was driven by higher employee salaries which increased by \$866,000 compared to the prior period, partly due to annual merit increases effective November 1, 2021, higher 2022 commissions, and the absence Cares Act Employer Retention Credit in 2022. Professional and advertising expenses increased \$156,000 compared to the prior year period due to higher legal expenses related to the disposition of nonaccrual loans, and higher outsourced information technology security and cybersecurity expenses. Additionally, other expenses increased \$197,000 compared to the prior year period, partly due to increased expenses related to SBA lending, insurance expenses, annual license fees, and appraisal fees.

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

Banking for Business & Personal | Mobile & Online Banking | Worldwide ATM | Debit, Credit + Rewards | Checking, Savings & Money Market | Loans + SBA | Mortgage | Insurance | Wealth Management

Let's Talk | 336.644.9944 | www.BankofOakRidge.com | Extended Hours at all Triad Locations

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 June 30, 2022 (Unaudited) and December 31, 2021 (Audited)

(Dollars in thousands)

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 11,917 | \$ 8,998 |
| Interest-bearing deposits with banks | <u>62,276</u> | <u>79,086</u> |
| Total cash and cash equivalents | 74,193 | 88,084 |
| Securities available-for-sale | 84,058 | 46,948 |
| Securities held-to-maturity | 354 | 387 |
| Restricted stock, at cost | 1,347 | 1,324 |
| Loans, net of allowance for loan losses of \$4,774 and \$3,756 at June 30, 2022 and December 31, 2021, respectively | 427,621 | 425,900 |
| Property and equipment, net | 9,407 | 9,907 |
| Accrued interest receivable | 1,902 | 1,842 |
| Bank owned life insurance | 6,054 | 6,014 |
| Right-of-use assets – operating leases | 1,391 | 1,594 |
| Other assets | <u>6,249</u> | <u>4,921</u> |
| Total assets | <u>\$ 612,576</u> | <u>\$ 586,921</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | \$ 118,227 | \$ 116,525 |
| Interest-bearing | <u>417,277</u> | <u>392,754</u> |
| Total deposits | 535,504 | 509,279 |
| Long-term borrowings | 551 | 683 |
| Junior subordinated notes – trust preferred securities | 8,248 | 8,248 |
| Subordinated debentures | 9,883 | 9,863 |
| Lease liabilities – operating leases | 1,391 | 1,594 |
| Accrued interest payable | 110 | 110 |
| Other liabilities | <u>6,170</u> | <u>5,816</u> |
| Total liabilities | <u>561,857</u> | <u>535,593</u> |
| Stockholders' equity | | |
| Common stock, no par value; 50,000,000 shares authorized; 2,702,370 and 2,672,620 issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 25,945 | 25,532 |
| Retained earnings | 25,778 | 22,815 |
| Accumulated other comprehensive income (loss) | <u>(1,004)</u> | <u>2,981</u> |
| Total stockholders' equity | <u>50,719</u> | <u>51,328</u> |
| Total liabilities and stockholders' equity | <u>\$ 612,576</u> | <u>\$ 586,921</u> |

Oak Ridge Financial Services, Inc.

Consolidated Statements of Income (Unaudited)

For the three and six months ended June 30, 2022 and 2021

(Dollars in thousands)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest and dividend income | | | | |
| Loans and fees on loans | \$ 5,051 | \$ 5,440 | \$ 10,539 | \$ 11,316 |
| Interest on deposits in banks | 171 | 7 | 199 | 10 |
| Restricted stock dividends | 18 | 20 | 36 | 40 |
| Interest on investment securities | 408 | 328 | 764 | 684 |
| Total interest and dividend income | <u>5,648</u> | <u>5,795</u> | <u>11,538</u> | <u>12,050</u> |
| Interest expense | | | | |
| Deposits | 237 | 342 | 494 | 723 |
| Short-term and long-term debt | 217 | 330 | 428 | 646 |
| Total interest expense | <u>454</u> | <u>672</u> | <u>922</u> | <u>1,369</u> |
| Net interest income | 5,194 | 5,123 | 10,616 | 10,681 |
| Provision for (recovery of) loan losses | <u>(107)</u> | <u>-</u> | <u>(19)</u> | <u>(112)</u> |
| Net interest income after provision for loan losses | 5,301 | 5,123 | 10,635 | 10,793 |
| Noninterest income | | | | |
| Service charges on deposit accounts | 150 | 120 | 287 | 254 |
| Brokerage commissions on mortgage loans | 61 | 55 | 133 | 132 |
| Insurance commissions | 112 | 88 | 226 | 208 |
| Gain on sale of Small Business Administration loans | 485 | - | 514 | - |
| Debit and credit card interchange income | 308 | 293 | 585 | 547 |
| Income from Small Business Investment Company | 100 | - | 170 | - |
| Income earned on bank owned life insurance | 20 | 21 | 40 | 42 |
| Other service charges and fees | 64 | 82 | 124 | 146 |
| Total noninterest income | <u>1,300</u> | <u>659</u> | <u>2,079</u> | <u>1,329</u> |
| Noninterest expense | | | | |
| Salaries | 2,340 | 1,637 | 4,356 | 3,490 |
| Employee benefits | 304 | 271 | 551 | 565 |
| Occupancy | 251 | 243 | 547 | 530 |
| Equipment | 243 | 268 | 496 | 545 |
| Data and item processing | 408 | 429 | 854 | 875 |
| Professional and advertising | 294 | 271 | 584 | 428 |
| Stationary and supplies | 34 | 58 | 60 | 97 |
| Impairment loss on securities | - | 18 | - | 28 |
| Telecommunications | 104 | 96 | 211 | 190 |
| FDIC assessment | 53 | 36 | 107 | 94 |
| Other expense | 445 | 322 | 747 | 550 |
| Total noninterest expense | <u>4,476</u> | <u>3,649</u> | <u>8,513</u> | <u>7,392</u> |
| Income before income taxes | 2,125 | 2,133 | 4,201 | 4,730 |
| Income tax expense | <u>422</u> | <u>413</u> | <u>836</u> | <u>955</u> |
| Net income and income available to common stockholders | <u>\$ 1,703</u> | <u>\$ 1,720</u> | <u>\$ 3,365</u> | <u>\$ 3,775</u> |
| Basic income per common share | <u>\$ 0.63</u> | <u>\$ 0.65</u> | <u>\$ 1.25</u> | <u>\$ 1.43</u> |
| Diluted income per common share | <u>\$ 0.63</u> | <u>\$ 0.65</u> | <u>\$ 1.25</u> | <u>\$ 1.43</u> |
| Basic weighted average shares outstanding | <u>2,702,370</u> | <u>2,643,503</u> | <u>2,692,794</u> | <u>2,648,089</u> |
| Diluted weighted average shares outstanding | <u>2,702,370</u> | <u>2,643,503</u> | <u>2,692,794</u> | <u>2,648,089</u> |

| Selected Financial Data | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 |
|--|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Return on average common stockholders' equity ¹ | 13.52 % | 13.07 % | 15.70 % | 16.40 % | 14.71 % | 18.45 % |
| Tangible book value per share | \$ 18.77 | \$ 18.63 | \$ 19.20 | \$ 18.53 | \$ 17.93 | \$ 17.24 |
| Return on average assets ¹ | 1.11 % | 1.14 % | 1.36 % | 1.41 % | 1.20 % | 1.49 % |
| Net interest margin ¹ | 3.66 % | 4.07 % | 3.65 % | 3.94 % | 3.79 % | 4.26 % |
| Efficiency ratio | 68.93 % | 65.10 % | 69.73 % | 63.08 % | 62.80 % | 59.94 % |
| Nonperforming assets to total assets | 0.14 % | 0.16 % | 0.51 % | 0.50 % | 0.55 % | 0.62 % |

¹Annualized