



For Immediate Release

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

OAK RIDGE, N.C., October 31, 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 nine months ended September 30, 2022.

Highlights as of and for the Three Months ended September 30, 2022

- Basic and diluted earnings per share of \$0.59 for the three months ended September 30, 2022, down 16 cents, or 21.3%, from the comparable 2021 period.
- Annualized return on average common stockholders' equity of 12.35% for the three months ended September 30, 2022, compared to 16.40% for the same period in 2021.
- Tangible book value per common share of \$18.67 as of September 30, 2022, down 0.3%, or \$0.05, from \$18.72 as of September 30, 2021.
- Through September 30, 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 excluding PPP loans of \$436.0 million, up 6.19% (8.27% annualized), or \$26.3 million, from \$410.6 million as of December 31, 2021.
- Period end total loans of \$436.3 million, up 1.55% (2.07% annualized), or \$26.3 million, from \$429.7 million as of December 31, 2021.
- Period end allowance for loan losses of \$4.9 million, up 31.6%, from \$3.8 million on December 31, 2021.
- Nonperforming assets of \$871,000, down 70.8% from \$2.9 million on December 31, 2021.
- Period end deposits of \$482.3 million, down 5.3%, or \$26.2 million from \$509.3 million as of December 31, 2021.
- 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 part of this prestigious list.
- Ranked #10 among all banks and #5 among North Carolina banks in SBA 7(a) loans approved by the SBA for the nine months ended September 30, 2022.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "I am extremely pleased with our continued strong financial performance in the third quarter of 2022 despite the reduction in the bank's PPP income in 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 six consecutive quarters. Additionally, our ratio of nonperforming assets to total assets declined from 0.51% on December 31, 2021, to 0.15% on September 30, 2022."

A quarterly cash dividend of \$0.08 per share of common stock is payable on December 5, 2022, to stockholders of record as of the close of business on November 18, 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 September 30, 2022, the Bank's Community Bank Leverage Ratio was 10.8%, up from 10.2% as of December 31, 2021. Stockholders' equity on September 30, 2022, was \$50.5 million, down 1.6% from \$51.3 million on December 31, 2021, due to an increase in accumulated other comprehensive loss in 2022.

For the three months ended September 30, 2022 and 2021, net interest income was \$5.4 million and \$5.3 million, respectively. For the three months ended September 30, 2022, the annualized net interest margin was 4.10% compared to 3.94% for the same period in 2021, an increase of 16 basis points. For the nine months ended September 30, 2022, net interest income was \$16.2 million, compared to \$16.0 million during the same period in 2021. The annualized net interest margin was 3.94% for the nine months ended September 30, 2022, compared to 4.00% for the same period in 2021, a decrease of six basis points.

The Company recorded a provision for loan losses of \$160,000 for the three months ended September 30, 2022, with a recovery of provision for loan losses of \$135,000 for the same period in 2021. For the nine months ended September 30, 2022, the Company recorded a provision for loan losses of \$141,000, with a recovery of provision for loan losses of \$247,000 for the same period in 2021. The allowance for loan losses as a percentage of total loans was 1.11% on September 30, 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 the declining overall economic outlook. Nonperforming assets represented 0.15% of total assets on September 30, 2022, compared to 0.51% on December 31, 2021.

Noninterest income totaled \$987,000 for the three months ended September 30, 2022, compared with \$919,000 for the same period in 2021, an increase of \$68,000 or 7.4%. The biggest contributors to the increase were gains on sales of SBA loans (not PPP loans) of \$203,000 in the third quarter of 2022, compared to \$56,000 for the same period in 2021; and other service charges, fees, and income of \$134,000 in the third quarter of 2022, compared to \$63,000 for the same period in 2021. Partially offsetting these increases was a \$182,000 gain on sale of investment securities for the three months ended September 30, 2021, with no gain on sale of investment securities in the comparable period in 2022. Noninterest income totaled \$3.1 million for the nine months ended September 30, 2022, compared with \$2.2 million for the same period in 2021, an increase of \$900,000 or 40.9%. The biggest contributor to the increase was gains on sales of SBA loans (not PPP loans) of \$718,000 for the nine months ended September 30, 2022, with gains of \$56,000 in the comparable period in 2021. Additionally, Income from Small Business Investment Company totaled \$170,000 for the nine months ended September 30, 2022, with no such income in the comparable period in 2021.

Noninterest expense totaled \$4.4 million in the three months ended September 30, 2022, an increase of \$500,000, or 13.1%, from the same period in 2021. The increase was partly due to higher employee salaries which increased by \$511,000 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 \$154,000 compared to the prior year period partly due to increased expenses related to SBA lending, insurance expenses, annual license fees, and appraisal fees. Noninterest expense totaled \$12.9 million in the nine months ended September 30, 2022, an increase of \$1.7 million, or 15.1%, from 2021. The increase was partly due to higher employee salaries which increased by \$1.4 million 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 \$154,000 compared to the prior year period partly due to increased annual license fees and director 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

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

(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and due from banks	\$ 12,137	\$ 8,998
Interest-bearing deposits with banks	<u>11,945</u>	<u>79,086</u>
Total cash and cash equivalents	24,082	88,084
Securities available-for-sale	86,324	46,948
Securities held-to-maturity	325	387
Restricted stock, at cost	1,726	1,324
Loans, net of allowance for loan losses of \$4,944 and \$3,756 at September 30, 2022 and December 31, 2021, respectively	431,351	425,900
Property and equipment, net	9,372	9,907
Accrued interest receivable	2,124	1,842
Bank owned life insurance	6,075	6,014
Right-of-use assets – operating leases	1,287	1,594
Other assets	<u>6,288</u>	<u>4,921</u>
Total assets	<u>\$ 568,954</u>	<u>\$ 586,921</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 123,362	\$ 116,525
Interest-bearing	<u>358,921</u>	<u>392,754</u>
Total deposits	482,283	509,279
Short-term borrowings	10,000	-
Long-term borrowings	485	683
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,893	9,863
Lease liabilities – operating leases	1,287	1,594
Accrued interest payable	294	110
Other liabilities	<u>5,999</u>	<u>5,816</u>
Total liabilities	<u>518,489</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 September 30, 2022 and December 31, 2021, respectively	26,077	25,532
Retained earnings	27,166	22,815
Accumulated other comprehensive income (loss)	<u>(2,778)</u>	<u>2,981</u>
Total stockholders' equity	<u>50,465</u>	<u>51,328</u>
Total liabilities and stockholders' equity	<u>\$ 568,954</u>	<u>\$ 586,921</u>

Oak Ridge Financial Services, Inc.

Consolidated Statements of Income (Unaudited)

For the three and nine months ended September 30, 2022 and 2021

(Dollars in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest and dividend income				
Loans and fees on loans	\$ 5,197	\$ 5,471	\$ 15,735	\$ 16,787
Interest on deposits in banks	172	11	370	21
Restricted stock dividends	21	19	57	59
Interest on investment securities	689	330	1,454	1,014
Total interest and dividend income	<u>6,079</u>	<u>5,831</u>	<u>17,616</u>	<u>17,881</u>
Interest expense				
Deposits	222	304	715	1,027
Short-term and long-term debt	268	209	696	855
Total interest expense	<u>490</u>	<u>513</u>	<u>1,411</u>	<u>1,882</u>
Net interest income	5,589	5,318	16,205	15,999
Provision for (recovery of) loan losses				
	<u>160</u>	<u>(135)</u>	<u>141</u>	<u>(247)</u>
Net interest income after provision for loan losses	5,429	5,453	16,064	16,246
Noninterest income				
Service charges on deposit accounts	151	135	437	390
Brokerage commissions on mortgage loans	48	67	181	199
Insurance commissions	124	112	350	321
Gain on sale of Small Business Administration loans	203	56	718	56
Debit and credit card interchange income	306	283	891	829
Income from Small Business Investment Company	-	-	170	-
Gain on sale of investment securities	-	182	-	182
Income earned on bank owned life insurance	21	21	60	63
Other service charges, fees, and income	134	63	259	208
Total noninterest income	<u>987</u>	<u>919</u>	<u>3,066</u>	<u>2,248</u>
Noninterest expense				
Salaries	2,219	1,708	6,575	5,198
Employee benefits	267	265	817	830
Occupancy	281	271	828	800
Equipment	237	284	732	829
Data and item processing	411	500	1,265	1,375
Professional and advertising	252	296	837	724
Stationery and supplies	19	42	80	139
Impairment loss on securities	13	-	13	28
Telecommunications	112	91	323	281
FDIC assessment	110	48	217	141
Other expense	469	315	1,216	865
Total noninterest expense	<u>4,390</u>	<u>3,820</u>	<u>12,903</u>	<u>11,210</u>
Income before income taxes	2,026	2,552	6,227	7,284
Income tax expense				
	<u>421</u>	<u>539</u>	<u>1,257</u>	<u>1,495</u>
Net income and income available to common stockholders	<u>\$ 1,605</u>	<u>\$ 2,013</u>	<u>\$ 4,970</u>	<u>\$ 5,789</u>
Basic and diluted income per common share	<u>\$ 0.59</u>	<u>\$ 0.75</u>	<u>\$ 1.84</u>	<u>\$ 2.17</u>
Basic and diluted weighted average shares outstanding	<u>2,702,370</u>	<u>2,672,620</u>	<u>2,696,026</u>	<u>2,667,405</u>

Selected Financial Data	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Return on average common stockholders' equity ¹	12.35 %	13.52 %	13.07 %	15.70 %	16.40 %	14.71 %
Tangible book value per share	\$ 18.67	\$ 18.77	\$ 18.63	\$ 19.20	\$ 18.72	\$ 17.93
Return on average assets ¹	1.08 %	1.11 %	1.14 %	1.36 %	1.41 %	1.20 %
Net interest margin ¹	4.10 %	3.66 %	4.07 %	3.65 %	3.94 %	3.79 %
Efficiency ratio	66.76 %	68.93 %	65.10 %	69.73 %	63.08 %	62.80 %
Nonperforming assets to total assets	0.15 %	0.14 %	0.16 %	0.51 %	0.50 %	0.55 %

¹Annualized