



**For Immediate Release**

Contact: Skylar Mearing, Marketing Director  
Phone: 336.662.4840

**Oak Ridge Financial Services, Inc. Announces Third Quarter 2023 Results and Quarterly Cash Dividend of \$0.10 Per Share**

OAK RIDGE, N.C., October 25, 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 the third quarter of 2023 and a quarterly cash dividend of \$0.10 per common share.

**Third Quarter 2023 Performance and Accomplishments**

- **Earnings per share** of \$0.55, compared to \$0.54 in the linked quarter and \$0.59 for the third quarter of 2022.
- **Return on equity** of 10.63%, compared to 10.84% in the linked quarter and 12.35% for the third quarter of 2022.
- **Dividends declared per common share** of \$0.10, unchanged from the linked quarter and up from \$0.08 for the third quarter of 2022.
- **Tangible book value per common share** of \$20.26 as of period end, compared to \$20.14 at the end of the linked quarter and \$18.67 at the end of the third quarter of 2022.
- **Net interest margin** of 3.84%, compared to 3.89% in the linked quarter and 4.10% for the third quarter of 2022.
- **Efficiency ratio** of 68.72%, compared to 70.39% in the linked quarter and 66.76% for the third quarter of 2022.
- **Nonperforming assets to total assets** of 0.08% at quarter end, compared to 0.10% as of the linked quarter end and 0.15% as of the third quarter end of 2022.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "Oak Ridge's operating performance in the third quarter was solid, especially considering the continued increase in market interest rates and concerns regarding the banking industry's financial performance and safety and soundness. Asset quality was strong at the end of the quarter, our net interest margin was strong during the quarter, and our loans increased while deposits decreased just slightly from year end. Capital and liquidity levels remain strong. Oak Ridge remains focused on its full client relationships including long-term core deposit and lending solutions and other products and services that meet our customers' financial objectives. We are incredibly proud of our team and appreciate their efforts in serving our clients and managing the Bank in a safe and sound manner."

A quarterly cash dividend of \$0.10 per share of common stock is payable on December 4, 2023, to stockholders of record as of the close of business on November 17, 2023, which represents the 20<sup>th</sup> consecutive quarterly dividend paid by the Company. "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."

**Review of Balance Sheet at September 30, 2023, as compared to December 31, 2022**

- Total assets increased \$22.0 million, or 3.7%, to \$611.3 million, from \$589.3 million.
- Cash and cash equivalents decreased \$25.9 million, or 51.4%, to \$24.5 million, from \$50.4 million.
- Securities available-for-sale increased \$9.2 million, or 11.4%, to \$90.1 million, from \$80.9 million.
- Securities held-to-maturity increased \$7.6 million, or 67.7%, to \$18.7 million due to reclassifications of subordinated debenture investments in other banks and bank holding companies from loans receivable to held-to-maturity securities. The reclassifications were \$10.9 million and \$7.4 million in December of 2022 and June of 2023, respectively. The lowest, largest, and average balance of each subordinated debenture investment in one bank or bank holding company as of September 30, 2023, was \$331,000, \$1.5 million, and \$909,000, respectively. The average book life of the subordinated debenture portfolio was 3.28 years as of September 30, 2023.
- Total net loans increased \$27.0 million, or 6.4%, to \$448.4 million, from \$421.4 million.

- The allowance for loan losses as a percentage of total loans was 1.06% and 1.14% on September 30, 2023, and December 31, 2022, respectively.
- Nonperforming assets represented 0.08% of total assets on September 30, 2023, compared to 0.13% on December 31, 2022.
- On January 1, 2023, the Company adopted Current Expected Credit Loss ("CECL") methodology for establishing its allowance for loan loss. As a result of adopting this standard the Company's retained earnings increased \$24,000, the allowance for loan losses decreased \$247,000, and the reserves for unfunded commitments increased \$223,000.
- Total deposits decreased \$3.1 million, or 0.6%, to \$477.9 million, from \$481.0 million.
- Total borrowings from Federal Home Loan Bank of Atlanta advances and under the Federal Reserve Term Funding Program increased \$20.0 million, or 66.7%, to \$50.0 million, from \$30.0 million.
- Stockholders' equity increased \$2.7 million, or 6.2%, to \$55.3 million, from \$52.6 million. Accumulated other comprehensive loss was \$3.4 million, or 4.2% of total stockholders' equity as of September 30, 2023. The Bank's Community Bank Leverage Ratio ("CBLR") was 11.26% at September 30, 2023, compared to 11.27% at December 31, 2022. Financial institutions that follow the CBLR guidelines and have a CBLR of greater than 9.0% meet the well-capitalized regulatory requirement.

**Review of Income Statement for the three months ended September 30, 2023, as compared to the same period ending September 30, 2022**

- Net interest income increased \$38,000 to \$5.6 million for the third quarter of 2023 compared to the year-ago quarter. The net interest margin decreased 26 basis points to 3.84% for the third quarter of 2023 compared to the year-ago quarter.
- Provision for credit losses was \$137,000 in the third quarter of 2023 compared to a provision for credit losses of \$160,000 in the year-ago quarter. The primary risks inherent in the Bank's loan portfolio, including the adequacy of the allowance or reserve for loan losses, are based on management's assumptions regarding, among other factors, general and local economic conditions, which are difficult to predict and are beyond the Bank's control. In estimating these risks, and the related loss reserve levels, management also considers the financial conditions of specific borrowers and credit concentrations with specific borrowers, groups of borrowers, and industries.
- Noninterest income increased \$62,000 to \$1.0 million for the third quarter 2023 compared with the year-ago quarter. Significant contributors to the overall net increase were:
  - Decrease of \$56,000 in gain on sale of Small Business Administration loans. On most 2023 originations the Bank is retaining the guaranteed portion of the loan whereas in 2022 the Company sold substantially all guaranteed portions of the loans.
  - Decrease of \$39,000 in brokerage commissions on mortgage loans.
  - Increase of \$135,000 in income from, Small Business Investment Company.
- Noninterest expense increased \$198,000, or 4.5%, to \$4.6 million for the third quarter of 2023 compared with the year-ago quarter. An increase of \$116,000 in data and item processing accounted for most of the net increase.

### **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 the 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, 2023 (Unaudited) and December 31, 2022 (Audited)

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and due from banks	\$ 9,182	\$ 12,467
Interest-bearing deposits with banks	<u>15,294</u>	<u>37,889</u>
Total cash and cash equivalents	24,476	50,356
Securities available-for-sale	90,148	80,939
Securities held-to-maturity, fair values of \$16,494 and \$10,350 at September 30, 2023 and December 31, 2022, respectively	18,720	11,161
Restricted stock, at cost	2,828	2,626
Loans, net of allowance for credit losses of \$4,808 and \$4,851 at September 30, 2023, and December 31, 2022, respectively	448,420	421,444
Property and equipment, net	8,523	9,192
Accrued interest receivable	2,427	1,996
Bank owned life insurance	6,155	6,095
Right-of-use assets – operating leases	2,537	1,183
Other assets	<u>7,028</u>	<u>4,289</u>
Total assets	<u>\$ 611,262</u>	<u>\$ 589,281</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 106,981	\$ 120,263
Interest-bearing	<u>370,881</u>	<u>360,722</u>
Total deposits	477,862	480,985
Short-term FHLB Advances	28,000	30,000
Federal Reserve bank term funding program	22,000	-
Other short-term borrowings	-	418
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,933	9,903
Lease liabilities – operating leases	2,537	1,183
Accrued interest payable	1,094	226
Other liabilities	<u>6,235</u>	<u>5,675</u>
Total liabilities	<u>555,909</u>	<u>536,638</u>
<b>Stockholders' equity</b>		
Common stock, no par value; 50,000,000 shares authorized; 2,732,720 and 2,672,620 issued and outstanding at September 30, 2023, and December 31, 2022, respectively	26,603	26,207
Retained earnings	32,161	28,642
Accumulated other comprehensive loss	<u>(3,411)</u>	<u>(2,206)</u>
Total stockholders' equity	<u>55,353</u>	<u>52,643</u>
Total liabilities and stockholders' equity	<u>\$ 611,262</u>	<u>\$ 589,281</u>

# Oak Ridge Financial Services, Inc.

## Consolidated Statements of Income (Unaudited)

For the three months ended September 30, 2023, and 2022

(Dollars in thousands)

	Three months ended			Nine months ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Interest and dividend income</b>					
Loans and fees on loans	\$ 6,455	\$ 5,780	\$ 5,197	\$ 18,151	\$ 15,735
Interest on deposits in banks	207	216	172	663	370
Restricted stock dividends	42	41	21	141	57
Interest on investment securities	1,516	1,368	689	3,721	1,454
Total interest and dividend income	<u>8,220</u>	<u>7,405</u>	<u>6,079</u>	<u>22,676</u>	<u>17,616</u>
<b>Interest expense</b>					
Deposits	1,678	1,374	222	4,074	715
Short-term and long-term debt	915	645	268	2,229	696
Total interest expense	<u>2,593</u>	<u>2,019</u>	<u>490</u>	<u>6,303</u>	<u>1,411</u>
Net interest income	5,627	5,386	5,589	16,373	16,205
<b>Provision for (recovery of) credit losses</b>	<u>137</u>	<u>(63)</u>	<u>160</u>	<u>248</u>	<u>141</u>
Net interest income after provision for loan losses	5,490	5,449	5,429	16,125	16,064
<b>Noninterest income</b>					
Service charges on deposit accounts	161	149	151	459	437
Brokerage commissions on mortgage loans	9	12	48	43	181
Insurance commissions	135	109	124	340	350
Gain on sale of investment securities	-	-	-	77	-
Gain on sale of Small Business Administration loans	147	96	203	475	718
Debit and credit card interchange income	333	299	306	924	891
Income from Small Business Investment Company	135	51	-	186	170
Income earned on bank owned life insurance	21	20	21	60	60
Other service charges and fees	108	155	134	428	259
Total noninterest income	<u>1,049</u>	<u>891</u>	<u>987</u>	<u>2,992</u>	<u>3,066</u>
<b>Noninterest expense</b>					
Salaries	2,175	2,180	2,219	6,666	6,575
Employee benefits	335	264	267	908	817
Occupancy	250	261	281	819	828
Equipment	208	239	237	658	732
Data and item processing	527	468	411	1,465	1,265
Professional and advertising	379	345	252	1,082	837
Stationery and supplies	26	34	19	94	80
Telecommunications	135	129	112	390	323
FDIC assessment	102	132	110	308	217
Impairment loss on securities	-	-	13	-	13
Other expense	451	366	469	1,207	1,216
Total noninterest expense	<u>4,588</u>	<u>4,418</u>	<u>4,390</u>	<u>13,597</u>	<u>12,903</u>
Income before income taxes	1,951	1,922	2,026	5,520	6,227
<b>Income tax expense</b>	<u>456</u>	<u>434</u>	<u>421</u>	<u>1,256</u>	<u>1,257</u>
<b>Net income and income available to common stockholders</b>	<u>\$ 1,495</u>	<u>\$ 1,488</u>	<u>\$ 1,605</u>	<u>\$ 4,264</u>	<u>\$ 4,970</u>
<b>Basic and diluted income per common share</b>	<u>\$ 0.55</u>	<u>\$ 0.54</u>	<u>\$ 0.59</u>	<u>\$ 1.56</u>	<u>\$ 1.84</u>
<b>Basic and diluted weighted average shares outstanding</b>	<u>2,732,720</u>	<u>2,732,720</u>	<u>2,702,370</u>	<u>2,726,535</u>	<u>2,696,026</u>

Selected Financial Data	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Return on average common stockholders' equity <sup>1</sup>	10.63 %	10.84 %	9.62 %	12.98 %	12.35 %	13.52 %
Tangible book value per share	\$ 20.26	\$ 20.14	\$ 19.94	\$ 19.48	\$ 18.67	\$ 18.77
Return on average assets <sup>1</sup>	0.98 %	1.02 %	0.88 %	1.18 %	1.08 %	1.08 %
Net interest margin <sup>1</sup>	3.84 %	3.89 %	3.91 %	4.02 %	4.10 %	3.66 %
Efficiency ratio	68.72 %	70.39 %	71.60 %	69.64 %	66.76 %	68.93 %
Nonperforming assets to total assets	0.08 %	0.10 %	0.11 %	0.13 %	0.15 %	0.14 %

<sup>1</sup>Annualized