

For Immediate Release

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Oak Ridge Financial Services, Inc. Announces Second Quarter 2024 Results and Quarterly Cash Dividend of \$0.12 Per Share

OAK RIDGE, N.C., July 31, 2024 (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 2024.

Second Quarter 2024 Highlights

- **Earnings per share** of \$0.46, compared to \$0.50 for the prior quarter and \$0.54 for the second quarter of 2023.
- **Return on equity** of 8.57%, compared to 9.31% for the prior quarter and 10.83% for the second quarter of 2023.
- **Dividends declared per common share** of \$0.12, unchanged from the prior quarter and up 20% from the second quarter of 2023.
- **Tangible book value per common share** of \$21.95 as of period end, compared to \$21.56 at the end of the prior quarter, and \$20.15 at the end of the comparable period in 2023.
- **Net interest margin** of 3.81% compared to 3.79% for the prior quarter and 3.86% for the second quarter of 2023.
- **Efficiency ratio** of 70.0%, compared to 68.3% for the prior quarter and 70.1% for the comparable period in 2023.
- **Loans receivable** of \$494.0 million at quarter end, up 11.7% (annualized) from \$466.8 million as of the prior year end, and up 11.4% from \$444.3 million at the comparable quarter end in 2023.
- **Nonperforming assets to total assets** of 0.16% at quarter end, compared to 0.06% as of the prior quarter end and 0.10% at the comparable quarter end in 2023.
- **Securities available-for-sale and held-to maturity** of \$103.0 million at quarter end, down 13.7% (annualized) from \$110.6 million as of the prior year end, and down 9.4% from \$113.8 million at the comparable quarter end in 2023.
- **Total deposits** of \$508.2 million at quarter end, up 6.1% (annualized) from \$493.1 million as of the prior year end, up 6.5% from \$476.9 million at the comparable quarter end in 2023.
- **Total short and long-term borrowings, junior subordinated notes, and subordinated debentures** of \$70.2 million at quarter end, up 41.5% (annualized) from \$58.2 million as of the prior year end, and down 3.1% from \$72.5 million at the comparable quarter end in 2023.
- **Total stockholders' equity** of \$60.6 million at quarter end, up 7.8% (annualized) from \$58.3 million as of the prior quarter end, and up 10.1% from \$55.0 million at the comparable quarter end in 2023. At June 30, 2024, the Bank's Community Bank Leverage Ratio (CBLR) was 11.1%, down slightly from 11.2% at December 31, 2023. A bank or savings institution electing to use the CBLR will generally be considered well-capitalized and to have met the risk-based and leverage capital requirements of the capital regulations if it has a leverage ratio greater than 9.0%.

Tom Wayne, Chief Executive Officer, reported, "Although earnings in the second quarter of 2024 were down slightly from the prior quarter and the second quarter of 2023, we achieved year-to-date and quarterly double-digit annualized loan growth in the second quarter with funding provided through a combination of increased deposits and borrowings. Asset quality remained strong at the end of the second quarter of 2024, and our net interest margin also remained strong during the quarter. Capital and liquidity levels remain solid. Oak Ridge continues to focus on maintaining and developing 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 entire team and appreciate their efforts in serving our clients and managing the Bank in a safe and sound manner."

In July 2024, the Company announced the promotion of Kevin Reid to Chief Financial Officer and Senior Vice President. Tom Wayne commented, "I am delighted that Kevin Reid is the Chief Financial Officer and Senior Vice President of Bank of Oak Ridge and Oak Ridge Financial Services, Inc. With an extensive background in accounting and auditing in the financial services industry, Kevin has played a unique and pivotal role in enhancing the Bank's financial health and strengthening our risk position since joining the bank in May of 2021."

A quarterly cash dividend of \$0.12 per share of common stock is payable on September 3, 2024, to stockholders of record as of the close of business on August 19, 2024, which represents the 23rd 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."

For the three months ended June 30, 2024, and 2023, net interest income was \$5.8 million and \$5.4 million, respectively. For the three months ended June 30, 2024, the annualized net interest margin was 3.81% compared to 3.86% for the second quarter of 2023, a decrease of five basis points. For the six months ended June 30, 2024, and 2023, net interest income was \$11.5 million and \$10.7 million, respectively. For the six months ended June 30, 2024, the annualized net interest margin was 3.80% compared to 3.87% in the same period in 2023, a decrease of seven basis points.

For the three months ended June 30, 2024, the Company recorded a provision for credit losses of \$322,000, compared to a recovery of credit losses of \$43,000 in the second quarter of 2023. For the six months ended June 30, 2024, the Company recorded a provision for credit losses of \$587,000, compared to a provision for credit losses of \$158,000 for the same period in 2023. The allowance for credit losses as a percentage of total loans was 1.06% at June 30, 2024, compared to 1.05% at December 31, 2023. Nonperforming assets represented 0.16% of total assets at June 30, 2024, compared to 0.07% at December 31, 2023.

Noninterest income totaled \$763,000 for the three months ended June 30, 2024, compared to \$890,000 for the second quarter of 2023. There were increases and decreases in components of noninterest income from the second quarter of 2023 to the comparable quarter of 2024, with the following categories significantly contributing to the overall net decrease: there were no gains on sale(s) of SBA loans during the second quarter of 2024, compared to gains of \$98,000 in the second quarter of 2023. The Company retained all its second quarter 2024 originations of SBA loans for balance sheet management purposes, while selling the guaranteed portion for most loans originated in the second quarter of 2023. Additionally, other service charges and fees were \$87,000 in the second quarter of 2024 and \$155,000 in the second quarter of 2023.

Noninterest income totaled \$1.6 million for the six months ended June 30, 2024, compared to \$1.9 million for the comparable period in 2023. There were increases and decreases in components of noninterest income from the first six months of 2023 to the comparable period 2024, with the following categories significantly contributing to the overall net decrease: there were no gains or losses on sale(s) of investment securities in the first six months of 2024 compared to gains on sale(s) of investment securities of \$77,000 in the comparable period in 2023; there were no gains on sale(s) of SBA loans during the first six months of 2024, compared to gains of \$328,000 in the comparable period in 2023. The Company retained all its 2024 originations of SBA loans for balance sheet management purposes, while selling the guaranteed portion for most loans originated in the first six months of 2023. Finally, other service charges and fees were \$320,000 in the first six months of 2024 and \$185,000 in the comparable period in 2023.

Noninterest expense totaled \$4.6 million for the three months ended June 30, 2024, compared to \$4.4 million for the comparable period in 2023. There were increases and decreases in components of noninterest expense from 2023 to 2024, with the following categories significantly contributing to the overall net decrease: Salaries were \$2.3 million for the three months ended June 30, 2024, compared to \$2.2 million for the comparable period in 2023. The increase in salaries is mostly due to annual merit increases to employees effective April 1, 2024. Occupancy expenses were \$351,000 for the three months ended June 30, 2024, compared to \$261,000 in the comparable period in 2023. The increase in occupancy expense is mostly due to higher property maintenance expenses in 2024 compared to 2023. Equipment expense was \$155,000 for the three months ended June 30, 2024, compared to \$239,000 in the comparable period in 2023. The decrease in equipment expense is mostly due to lower equipment depreciation expense in 2024 compared to 2023. Other expense was \$448,000 for the three months ended June 30, 2024, compared to \$344,000 in the comparable period in 2023. The increase in other expenses is mostly due to increases in software licensing fees, taxes other than income taxes, insurance expenses, and director fees.

Noninterest expense totaled \$9.0 million for the six months ended June 30, 2024, and 2023. There were increases and decreases in components of noninterest expense from 2023 to 2024, with the following categories significantly contributing to the overall net increase of \$31,000: Equipment expense was \$318,000 for the six months ended June 30, 2024, compared to \$450,000 in the comparable period in 2023. The decrease in equipment expense is mostly due to lower equipment depreciation expense in 2024 compared to 2023. Data and items processing expense was \$318,000 for the six months ended June 30, 2024, compared to \$450,000 in the comparable period in 2023. The increase in data and items processing expense is mostly due to higher software licensing fees from its core processing vendor. Telecommunications expense was \$142,000 for the six months ended June 30, 2024, compared to \$255,000 in the comparable period in 2023. The decrease in telecommunications expense is mostly due to the reduction in unnecessary or redundant telecommunications expenses. Other expense was \$831,000 for the three months ended June 30, 2024, compared to \$710,000 for the comparable period in 2023. The increase in other expenses is mostly due to increases in software licensing fees, dues and memberships, insurance expense, 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, and 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 the words “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
(Dollars in thousands, except share data)

	June 30, 2024	December 31, 2023	June 30, 2023
	(unaudited)	(audited)	(unaudited)
ASSETS			
Cash and due from banks	\$ 8,084	\$ 7,792	\$ 9,085
Interest-bearing deposits with banks	19,457	12,633	25,218
Total cash and cash equivalents	27,541	20,425	34,303
Securities available-for-sale	84,342	91,849	95,213
Securities held-to-maturity, net of allowance for credit losses	18,685	18,706	18,566
Restricted stock, at cost	4,002	2,404	2,737
Loans receivable	493,960	466,796	443,293
Allowance for credit losses	(5,230)	(4,920)	(4,695)
Net loans receivable	488,730	461,876	438,598
Property and equipment, net	8,721	8,366	8,757
Accrued interest receivable	2,952	2,580	2,125
Bank owned life insurance	6,222	6,178	6,134
Right-of-use assets – operating leases	2,318	2,466	2,610
Other assets	5,310	4,544	4,459
Total assets	\$ 648,823	\$ 619,394	\$ 613,502
LIABILITIES			
Noninterest-bearing deposits	\$ 106,494	\$ 99,702	\$ 110,637
Interest-bearing deposits	401,678	393,442	366,300
Total deposits	508,172	493,144	476,937
Short-term borrowings	40,000	40,000	54,000
Long-term borrowings	12,000	-	286
Junior subordinated notes – trust preferred securities	8,248	8,248	8,248
Subordinated debentures, net of discount	9,963	9,943	9,923
Lease liabilities – operating leases	2,318	2,466	2,610
Accrued interest payable	795	1,154	548
Other liabilities	6,711	6,092	5,904
Total liabilities	588,207	561,047	558,456
STOCKHOLDERS' EQUITY			
Common stock	26,977	26,736	26,471
Retained earnings	35,403	33,364	30,939
Net unrealized loss on debt securities, net of tax	(2,051)	(1,580)	(2,398)
Net unrealized loss on hedging derivative instruments, net of tax	287	(173)	34
Total accumulated other comprehensive loss	(1,764)	(1,753)	(2,364)
Total stockholders' equity	60,616	58,347	55,046
Total liabilities and stockholders' equity	\$ 648,823	\$ 619,394	\$ 613,502
Common shares outstanding	2,761,870	2,732,720	2,732,020
Common shares authorized	50,000,000	50,000,000	50,000,000

OAK RIDGE FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share data)

	Three Months Ended			Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest and dividend income:					
Loans and fees on loans	\$ 7,663	\$ 7,230	\$ 5,780	\$ 14,894	\$ 11,696
Interest on deposits in banks	244	151	216	395	456
Restricted stock dividends	64	45	41	109	98
Interest on investment securities	1,453	1,445	1,367	2,897	2,206
Total interest and dividend income	9,424	8,871	7,404	18,295	14,456
Interest expense					
Deposits	2,460	2,351	1,374	4,811	2,396
Short-term and long-term debt	1,130	899	645	2,030	1,315
Total interest expense	3,590	3,250	2,019	6,841	3,711
Net interest income	5,834	5,621	5,385	11,454	10,745
Provision for (recovery of) credit losses	322	264	(43)	587	158
Net interest income after provision for credit losses	5,512	5,357	5,428	10,867	10,587
Noninterest income:					
Service charges on deposit accounts	198	172	149	371	297
Gain (loss) on sale of securities	-	-	-	-	77
Brokerage commissions on mortgage loans	-	-	12	-	34
Insurance commissions	125	135	109	260	206
Gain on sale of Small Business Administration loans	-	-	96	-	328
Debit and credit card interchange income	309	288	299	597	591
Income from Small Business Investment Company	22	78	51	100	51
Income earned on bank owned life insurance	22	22	19	44	39
Other Service Charges and Fees	87	98	155	185	320
Total noninterest income	763	793	890	1,557	1,943
Noninterest expenses:					
Salaries	2,311	2,166	2,180	4,477	4,492
Employee Benefits	302	312	264	614	573
Occupancy	351	296	261	646	569
Equipment	155	163	239	318	450
Data & Item Processing	526	520	468	1,046	938
Professional & Advertising	305	314	345	619	703
Stationary & Supplies	45	32	34	77	68
Telecommunications	63	80	129	142	255
FDIC Assessment	111	114	132	225	206
Other expense	448	383	344	831	710
Total noninterest expenses	4,617	4,380	4,396	8,995	8,964
Income before income taxes	1,658	1,770	1,922	3,429	3,566
Income tax expense	382	403	434	784	799
Net income and income available to common shareholders	\$ 1,276	\$ 1,367	\$ 1,488	\$ 2,645	\$ 2,767
Basic income per common share	\$ 0.46	\$ 0.50	\$ 0.54	\$ 0.96	\$ 1.02
Diluted income per common share	\$ 0.46	\$ 0.50	\$ 0.54	\$ 0.96	\$ 1.02
Basic weighted average shares outstanding	2,761,870	2,743,611	2,732,720	2,752,741	2,723,391
Diluted weighted average shares outstanding	2,761,870	2,743,611	2,732,720	2,752,741	2,723,391

OAK RIDGE FINANCIAL SERVICES, INC.

Selected Financial Data

	As Of Or For The Three Months Ended,				
	June 30, 2024	March 31, 2024	December 31, 2023	September 2023	June 30, 2023
Return on average common stockholders' equity ¹	8.57%	9.31%	10.44%	10.63%	10.83%
Tangible book value per share	\$ 21.95	\$ 21.56	\$ 21.35	\$ 20.26	\$ 20.15
Return on average assets ¹	0.80%	0.88%	0.95%	0.98%	1.02%
Net interest margin ¹	3.81%	3.79%	3.79%	3.83%	3.86%
Efficiency ratio	70.0%	68.3%	65.2%	68.7%	70.1%
Nonperforming assets to total assets	0.08%	0.06%	0.07%	0.08%	0.10%
Allowance for credit losses to total loans	1.06%	1.03%	1.05%	1.06%	1.06%

¹Annualized