



Oak Ridge Financial Services, Inc. Announces Third Quarter 2020 Results and Quarterly Cash Dividend of \$0.06 Per Share

OAK RIDGE, N.C., Nov. 02, 2020 (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 2020 and a quarterly cash common dividend of \$0.06 per share.

Third Quarter 2020 Highlights

- | Basic and diluted earnings per share of \$0.33 for the three months ended September 30, 2020, down \$0.13, or 28.6%, from \$0.46 for the same period in 2019;
- | Return on average common stockholders' equity of 8.50% (annualized) for the three months ended September 30, 2020, compared to 11.08% (annualized) for the same period in 2019;
- | Loan loss provisions for the nine months ended September 30, 2020 were \$2.2 million, up significantly from \$185,000 for the same period in 2019; most of the 2020 loan loss provisions are related to the potential adverse economic impact of the COVID-19 pandemic and are the primary reason for the decline in earnings per share and return on average common stockholders' equity from 2019 to 2020;
- | Outstanding balance of loans granted deferrals of principal and/or interest payments in response to COVID-19 of \$23.1 million (5.2% of total loans) as of September 30, 2020;
- | Through the end of the first round of the Small Business Administration ("SBA") Payroll Protection Program ("PPP") in August 2020, the Bank funded 587 PPP loans totaling \$49.6 million, and has collected fees from the SBA of \$1.96 million; these fees and will be recognized as interest income over the life of the PPP loans;
- | Period end loans of \$448.4 million, up 15.3% (20.4% annualized) from December 31, 2019;
- | Period end loans, net of PPP loans, of \$400.2 million, up 2.9% (3.9% annualized) from December 31, 2019;
- | Period end deposits of \$463.7 million, up 16.5% (22.0% annualized) from December 31, 2019;
- | Period end noninterest-bearing deposits of \$98.2 million, up 52.6% (70.3% annualized) from December 31, 2019;
- | Period end Allowance for loan losses of \$5.1 million, up 75.9%, from \$2.9 million at December 31, 2019.
- | Nonperforming assets of \$3.5 million, down 8.4% from \$3.9 million at December 31, 2019.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "In the midst of the unprecedented challenges presented by the ongoing COVID-19 pandemic, I am extremely pleased with our financial performance thus far in 2020, and very proud of our Bank's support of the local community through our participation in the PPP program and our loan deferral program which is structured to assist borrowers that have been impacted by COVID-19. Loans in deferral peaked at 29% of total loans in the second quarter of 2020 and have declined significantly to 5% of total loans at September 30, 2020, a very positive sign. Since the pandemic began, we have followed local, state, and national guidelines, and have adapted our sales and service processes to seamlessly service our clients and new clients while keeping our teams safe. While it is difficult to accurately predict the next few quarters and the impact of COVID-19 on our local and national economy, I am thankful to have our experienced team of bankers and a supportive board of directors as we address future challenges and opportunities."

The quarterly cash dividend of \$0.06 per share of common stock is payable on December 1, 2020 to stockholders of record as of the close of business on November 17, 2020. "We are pleased to announce our quarterly cash dividend to our stockholders," said Mr. Wayne. "Paying stockholders a portion of our earnings reflects our continuing commitment to enhance stockholder value."

The Bank's capital ratios remain strong and exceeded all regulatory requirements at September 30, 2020. As of September 30, 2020, the Company's stockholders' equity was \$43.2 million, up 7.2%, from \$40.3 million at December 31, 2020.

With respect to the consolidated statement of operations for the three months ended September 30, 2020, net interest income was \$4.5 million, which was an increase from \$4.2 million during the same period in 2019. For the three months ended September 30, 2020, the net interest margin was 3.51% compared to 3.80% for the same period in 2019, a decrease of 29 basis points. For the nine months ended September 30, 2020, net interest income was \$12.9 million, compared to \$12.3 million during the same period in 2019. The net interest margin was 3.55% for the nine months ended September 30, 2020, compared to 3.65% for the same period in 2019, a decrease of 10 basis points.

The Company recorded a provision for loan losses of \$617,000 for the three months ended September 30, 2020, compared with no provision for the same period in 2019. For the nine months ended September 30, 2020 the Company recorded a provision of \$2.2 million compared with a provision of \$185,000 for the same period in 2019. The allowance for loan losses as a percentage of total loans was 1.14% at September 30, 2020 compared to 0.90% at December 31, 2019. The allowance for loan losses as a percentage of total loans not including PPP loans was 1.28% as of September 30, 2020. The increase in the allowance for loan losses in 2020 was largely the result of the Company increasing the qualitative factors in its allowance for loan loss model due to the deteriorating economic outlook related to COVID-19. Nonperforming assets represented 0.64% of total assets as of September 30, 2020, compared to 0.82% at December 31, 2019.

Noninterest income totaled \$900,000 for the three months ended September 30, 2020, compared with \$846,000 for the same period in 2019, an increase of \$54,000 or 6.4%. The biggest contributor to the increase was a gain on sale of SBA loans (not PPP loans) of \$202,000 in the third quarter of 2020 and \$83,000 of gains in the comparable period in 2019. A \$60,000 decrease in service charges on deposit accounts from 2019 to 2020 offset the increase in gain on sale of SBA loans. Noninterest income totaled \$2.5 million for the nine months ended September 30, 2020, compared with \$2.3 million for the same period in 2019, an increase of \$212,000 or 9.2%. The biggest contributor to the increase was a gain on sale of SBA loans (not PPP loans) of \$464,000 in the nine months ended September 30, 2020 compared to \$83,000 in the same period in 2019. A \$164,000 gain on sale of securities in the nine months ended September 30, 2019, and no such gain in 2020 partially offset the increase in gain on sale of SBA loans.

Noninterest expense totaled \$3.7 million in the three months ended September 30, 2020, an increase of \$195,000, or 5.6%, from the same period in 2019. A decrease in salaries, primarily due to credits in payroll taxes as a result of provisions in the CARES Act, was responsible for most of this decrease. Noninterest expense totaled \$10.4 million in the nine months ended September 30, 2020, unchanged from 2019. Salaries declined from 2019 to 2020, primarily due to credits in payroll taxes as a result of provisions in the CARES Act as well as lower incentive payments in 2020 compared to 2019.

About Oak Ridge Financial Services, Inc.

Oak Ridge Financial Services, Inc. (OTCPink: BKOR) is the holding company for Bank of Oak Ridge. Bank of Oak Ridge delivers personal attention and convenience for every client. Substantially all of the Bank's employees are stockholders in Oak Ridge Financial Services, Inc. through their participation in the Bank's Employee Stock Ownership Plan. We are proud of our many accolades and awards, including seven "Best Bank in the Triad" wins, "Triad's Top Workplace" finalist, "Triad's Healthiest Employer" winner and a 2016 Better Business Bureau "Torch Award" winner. We offer a complete range of banking services for individuals and businesses. Bank of Oak Ridge is a member of the FDIC and an Equal Housing Lender.

Banking Services | ATM Usage Worldwide | Mobile Banking | Online Billpay | Remote and Mobile Deposit | Checking | Savings | Mortgage | Insurance | Lending | Wealth Management

Visit Us | To learn more, visit us during our extended weekday and Saturday hours at one of our convenient locations in Greensboro, Summerfield and Oak Ridge, North Carolina, or call 336.644.9944, or online at www.BankofOakRidge.com.

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

September 30, 2020 (Unaudited) and December 31, 2019 (Audited)

(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and due from banks	\$ 8,310	\$ 4,030
Interest-bearing deposits with banks	19,502	19,539
Total cash and cash equivalents	27,812	23,569
Securities available-for-sale	45,529	41,183
Securities held-to-maturity (fair values of \$783 in 2020 and \$898 in 2019)	600	730
Federal Home Loan Bank Stock, at cost	1,965	1,042
Loans, net of allowance for loan losses of \$5,106 in 2020 and \$2,886 in 2019	448,428	386,056
Property and equipment, net	10,184	10,491
Accrued interest receivable	2,873	1,478
Bank owned life insurance	5,907	5,837
Right-of-use assets – operating leases	2,087	1,336
Other assets	4,261	3,984
Total assets	<u>\$ 549,646</u>	<u>\$ 475,706</u>

Liabilities and Stockholders' Equity

Liabilities

Deposits:

Noninterest-bearing	\$ 98,426	\$ 64,374
Interest-bearing	365,426	333,752
Total deposits	463,672	398,126
Short-term borrowings	10,000	15,000
Long-term borrowings	1,018	1,184
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	15,442	5,608
Lease liabilities – operating leases	2,087	1,336

Accrued interest payable	331	281
Other liabilities	5,671	5,608
Total liabilities	<u>506,469</u>	<u>435,391</u>

Stockholders' equity

Common stock, no par value; 50,000,000 shares authorized; 2,639,518 and 2,621,315 issued and outstanding in 2020 and 2019, respectively	24,898	24,850
Retained earnings	14,945	13,146
Accumulated other comprehensive income	3,334	2,319
Total stockholders' equity	<u>43,177</u>	<u>40,315</u>
Total liabilities and stockholders' equity	<u>\$ 549,646</u>	<u>\$ 475,706</u>

Oak Ridge Financial Services, Inc.

Consolidated Statements of Operations

For the three months and nine months ended September 30, 2020 and 2019 (Unaudited)

(Dollars in thousands except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest and dividend income				
Loans and fees on loans	\$ 5,302	\$ 5,122	\$ 15,453	\$ 15,049
Interest on deposits in banks	11	76	79	247
Federal Home Loan Bank stock dividends	10	17	51	50
Investment securities	322	349	937	1,083
Total interest and dividend income	<u>5,645</u>	<u>5,564</u>	<u>16,520</u>	<u>16,429</u>
Interest expense				
Deposits	729	1,091	2,644	3,292
Short-term and long-term debt	416	295	954	884
Total interest expense	<u>1,145</u>	<u>1,386</u>	<u>3,598</u>	<u>4,176</u>
Net interest income	4,500	4,178	12,922	12,253
Provision for loan losses				
Net interest income after provision for loan losses	<u>3,883</u>	<u>4,178</u>	<u>10,676</u>	<u>12,068</u>
Noninterest income				
Service charges on deposit accounts	136	196	445	536
Gain on sale of securities	-	-	-	164
Brokerage commissions on mortgage loans	97	102	295	237
Insurance commissions	103	100	275	268
Gain on sale of SBA loans	202	83	464	83
Fee income from accounts receivable financing	-	1	-	12
Debit and credit card interchange income	275	257	796	687
Income earned on bank owned life insurance	24	25	70	73
Other service charges and fees	63	82	169	242
Total noninterest income	<u>900</u>	<u>846</u>	<u>2,514</u>	<u>2,302</u>
Noninterest expense				
Salaries	1,520	1,705	4,407	5,012
Employee benefits	330	303	831	863
Occupancy expense	261	220	713	646
Equipment expense	259	211	752	670
Data and item processing	540	474	1,633	1,396
Professional and advertising	148	195	462	405
Stationary and supplies	51	22	103	112
Impairment loss on securities	31	6	53	12
Telecommunications expense	83	116	265	306
FDIC assessment	107	(52)	194	48
Accounts receivable financing expense	-	-	-	-
Other expense	378	313	1,015	945
Total noninterest expense	<u>3,708</u>	<u>3,513</u>	<u>10,428</u>	<u>10,415</u>
Income before income taxes	1,075	1,511	2,762	3,955
Income tax expense				
	199	293	513	735
Net income and net income available to common stockholders	<u>\$ 876</u>	<u>\$ 1,218</u>	<u>\$ 2,249</u>	<u>\$ 3,220</u>

Basic net income per common share	\$	0.33	\$	0.46	\$	0.85	\$	1.23
Diluted income per common share	\$	0.33	\$	0.46	\$	0.85	\$	1.23
Basic weighted average common shares outstanding		2,644,165		2,625,695		2,641,251		2,619,572
Diluted weighted average common shares outstanding		2,644,165		2,633,711		2,648,882		2,627,542

Oak Ridge Financial Services, Inc.
Selected Quarterly Financial Ratios (unaudited)

Selected Financial Data	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Return on average common stockholders' equity ¹	8.50%	11.66%	1.68%	10.23%	11.08%	10.75%
Tangible book value per share	\$ 16.00	\$ 15.98	\$ 15.22	\$ 15.36	\$ 14.99	\$ 14.37
Return on average assets ¹	0.64%	0.92%	0.14%	0.86%	0.92%	0.85%
Net interest margin ¹	3.51%	3.60%	3.55%	3.57%	3.80%	3.72%
Net interest income to average assets ¹	3.25%	3.41%	3.23%	3.37%	3.51%	3.51%
Efficiency ratio	68.67%	62.79%	71.82%	74.53%	69.9%	71.1%
Nonperforming assets to total assets	0.64%	0.65%	0.78%	0.81%	0.91%	0.50%

¹Annualized

Contact:
Tom Wayne
President and CFO
Phone: 336-644-9944