

**FOR IMMEDIATE RELEASE****Contact: Tom Wayne, CEO and CFO****Phone: 336-644-9944****Oak Ridge Financial Services, Inc. Announces 2020 Results and Quarterly Cash Dividend of \$0.06 Per Share**

**Oak Ridge, NC: February 3, 2021 (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 fourth quarter and full year of 2020, and a quarterly cash dividend of \$0.06 per share.

**Fourth Quarter and Full Year 2020 Highlights**

- Earnings per share of \$1.23 for 2020, down 39 cents, or 24%, from 2019; earnings per share of \$0.38 for the three months ended December 31, 2020, down one cent, or 3%, from 2019;
- Return on average common stockholders’ equity of 7.68% for 2020, compared to 11.25% for 2019; return on average common stockholders’ equity of 9.17% for the three months ended December 31, 2020, compared to 10.23% for the same period in 2019;
- Loan loss provision for the year ended December 31, 2020 of \$2.7 million, up from \$185,000 for 2019; 2020 loan loss provision of \$2.7 million predominantly related to the potential adverse economic impact of the COVID-19 pandemic, and the primary reason for the decline in earnings per share and return on average common stockholders’ equity from 2019 to 2020;
- Tangible book value per common share of \$16.86, up 9.8%, or \$1.50, from \$15.36 as of December 31, 2019.
- Through the end of the first round of the Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) in August 2020, the Bank funded 606 PPP loans totaling \$50.1 million, and has collected fees from the SBA of \$2.1 million; these fees and associated origination costs will be recognized as interest income over the life of the PPP loans;
- Period end loans of \$450.6 million, up 15.8% from December 31, 2019. period end loans, net of PPP loans, of \$403.4 million, up 3.7% from December 31, 2019;
- Outstanding balance of loans granted deferrals of principal and/or interest payments in response to COVID-19 of \$1.1 million (0.2% of total loans) as of December 31, 2020, down from a peak of \$133.7 million (29.2% of loans);
- Period end allowance for loan losses of \$5.5 million, up 89.1%, 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.
- Period end deposits of \$455.7 million, up 14.5% from December 31, 2019. period end noninterest-bearing deposits of \$94.2 million, up 46.4% from 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 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 was 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 just 0.2% of total loans at December 31, 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 new and existing clients while keeping our team 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.”

A quarterly cash dividend of \$0.06 per share of common stock is payable on March 1, 2021 to stockholders of record as of the close of business on February 16, 2021. “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 adopted the 9% community bank leverage ratio (“CBLR”) requirement as of June 30, 2020. As of December 31, 2020 the Bank’s CBLR was 9.22%. As of December 31, 2020, the Company’s stockholders’ equity was \$44.5 million, up 10.4%, from \$40.3 million at December 31, 2019.

With respect to the consolidated statement of operations for 2020 and 2019, net interest income was \$17.6 million for 2020, up \$1.3 million, or 8.0%, from \$16.3 million during the year ending December 31, 2019. For 2020, the net interest margin was 3.50% compared to 3.69% for year ending December 31, 2019, a decrease of 19 basis points. The primary reason for the decrease in the net interest margin was an increase in interest expense associated with the Company’s \$10 million subordinated debenture issue that closed in June 2020.

The Company recorded a provision for loan losses of \$2.7 million in 2020, compared with a loan loss provision of \$185,000 in 2019. The allowance for loan losses as a percentage of total loans was 1.21% at December 31, 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 1.35% as of December 31, 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 December 31, 2020, compared to 0.82% at December 31, 2019.

Noninterest income totaled \$3.2 million in 2020, unchanged from 2019. Noninterest expense totaled \$14.0 million in 2019, down slightly from \$14.1 million in 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](http://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**  
*December 31, 2020 (Unaudited) and December 31, 2019 (Audited)*  
*(Dollars in thousands)*

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and due from banks.....	\$ 9,104	\$ 4,030
Interest-bearing deposits with banks.....	9,027	14,928
Total cash and cash equivalents.....	18,131	18,958
Federal Funds Sold.....	3,217	4,611
Securities available-for-sale.....	46,357	41,183
Securities held-to-maturity (fair values of \$715 at year end 2020 and \$898 at year end 2019).....	564	730
FRB and FHLB Stock, at cost.....	1,806	1,042
Loans, net of allowance for loan losses of \$5,458 at year end 2020 and \$2,886 at year end 2019.....	445,127	386,056
Property and equipment, net.....	10,632	10,491
Accrued interest receivable.....	2,412	1,478
Bank owned life insurance.....	5,930	5,837
Right-of-use assets – operating leases.....	1,990	1,336
Other assets.....	4,464	3,984
Total assets.....	<u>\$ 540,630</u>	<u>\$ 475,706</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing.....	\$ 94,225	\$ 64,374
Interest-bearing.....	361,512	333,752
Total deposits.....	455,737	398,126
Short-term borrowings.....	8,000	15,000
Long-term borrowings.....	952	1,184
Junior subordinated notes related to trust preferred securities.....	8,248	8,248
Subordinated debentures.....	15,459	5,608
Lease liabilities – operating leases.....	1,990	1,336
Accrued interest payable.....	140	281
Other liabilities.....	5,603	5,608
Total liabilities.....	<u>496,129</u>	<u>435,391</u>
<b>Stockholders' equity</b>		
Common stock, no par value; 50,000,000 shares authorized; 2,639,345 and 2,621,315 issued and outstanding as of December 31, 2020 and 2019, respectively.....	25,013	24,850
Retained earnings.....	15,797	13,146
Accumulated other comprehensive income.....	3,691	2,319
Total stockholders' equity.....	<u>44,501</u>	<u>40,315</u>
Total liabilities and stockholders' equity.....	<u>\$ 540,630</u>	<u>\$ 475,706</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Operations**  
For the three months and year ended December 31, 2020 and 2019 (Unaudited)  
(Dollars in thousands except per share data)

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
<b>Interest and dividend income</b>				
Loans and fees on loans.....	\$ 5,196	\$ 5,029	\$ 20,649	\$ 20,077
Interest on deposits in banks.....	4	73	83	371
Federal Home Loan Bank stock dividends .....	48	16	98	66
Investment securities .....	367	313	1,304	1,346
Total interest and dividend income.....	5,615	5,431	22,134	21,860
<b>Interest expense</b>				
Deposits.....	570	1,106	3,213	4,398
Short-term and long-term debt.....	365	277	1,319	1,162
Total interest expense .....	935	1,383	4,532	5,560
Net interest income.....	4,680	4,048	17,602	16,300
<b>Provision for loan losses</b>				
Net interest income after provision for loan losses.....	500	-	2,746	185
	4,180	4,048	14,856	16,115
<b>Noninterest income</b>				
Service charges on deposit accounts.....	143	196	588	732
Gain on sale of securities.....	-	-	-	164
Brokerage commissions on mortgage loans .....	86	69	381	306
Insurance commissions.....	87	80	362	349
Gain on sale of SBA loans.....	-	195	464	278
Fee income from accounts receivable financing.....	-	-	-	13
Debit and credit card interchange income .....	252	248	1,048	963
Income earned on bank owned life insurance.....	23	25	93	98
Other service charges and fees.....	57	67	226	267
Total noninterest income .....	648	880	3,162	3,170
<b>Noninterest expense</b>				
Salaries .....	1,731	1,701	6,138	6,678
Employee benefits .....	286	296	1,117	1,159
Occupancy expense .....	285	234	998	880
Equipment expense.....	258	242	1,010	915
Data and item processing.....	514	508	2,147	1,976
Professional and advertising .....	118	176	579	658
Stationery and supplies.....	29	29	132	141
Net cost of foreclosed assets	-	40	4	52
Impairment loss on securities .....	5	12	58	28
Telecommunications expense.....	86	97	351	403
FDIC assessment .....	72	-	266	48
Accounts receivable financing expense.....	-	-	-	3
Other expense .....	234	338	1,245	1,134
Total noninterest expense .....	3,618	3,673	14,045	14,075
Income before income taxes .....	1,210	1,255	3,973	5,210
<b>Income tax expense</b> .....				
	200	225	714	960
<b>Net income and net income available to common stockholders</b> .....				
	\$ 1,010	\$ 1,030	\$ 3,259	\$ 4,250
<b>Basic net income per common share</b> .....				
	\$ 0.38	\$ 0.39	\$ 1.23	\$ 1.62
<b>Diluted income per common share</b> .....				
	\$ 0.38	\$ 0.39	\$ 1.23	\$ 1.62
<b>Basic weighted average common shares outstanding</b> .....				
	2,639,345	2,625,685	2,640,504	2,621,007
<b>Diluted weighted average common shares outstanding</b> .....				
	2,639,345	2,634,729	2,640,504	2,630,244

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

Selected Financial Data	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Return on average common stockholders' equity <sup>1</sup>	9.17%	8.50%	11.66%	1.68%	10.23%	11.08%
Tangible book value per share	\$16.86	\$16.36	\$15.98	\$15.22	\$15.36	\$14.99
Return on average assets <sup>1</sup>	0.73%	0.64%	0.92%	0.14%	0.86%	0.92%
Net interest margin <sup>1</sup>	3.57%	3.42%	3.50%	3.49%	3.57%	3.80%
Net interest income to average assets <sup>1</sup>	3.32%	3.27%	3.34%	3.32%	3.37%	3.51%
Efficiency ratio	67.64%	68.67%	62.79%	71.82%	74.53%	69.9%
Nonperforming assets to total assets	0.64%	0.64%	0.65%	0.78%	0.81%	0.91%

<sup>1</sup>Annualized