

Oak Ridge Financial Services, Inc. Announces Record First Quarter 2021 Results, increase in Quarterly Cash Dividend to \$0.07 Per Share

OAK RIDGE, N.C., May 10, 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 first three months of 2021, and an increase in its quarterly cash dividend to \$0.07.

First Quarter 2021 Highlights

- Record earnings per share of \$0.77 for the three months ended March 31, 2021, up 70 cents from the comparable 2020 period;
- Record annualized return on average common stockholders’ equity of 18.45% for the three months ended March 31, 2021, compared to 1.68% for the same period in 2020;
- Tangible book value per common share of \$17.24 as of March 31, 2021, up 13.3%, or \$2.02, from \$15.22 as of March 31, 2020;
- As of March 31, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 45% on the \$50.1 million of first round of Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans;
- As of March 31, 2021, the Bank funded 353 Round 2 PPP loans totaling \$27.8 million, the associated fees and origination costs will be recognized as interest income and expense, respectively, over the life of the PPP loans
- Period end loans of \$463.0 million, up 2.8% (11.2% annualized) from December 31, 2020;
- Outstanding balance of loans granted deferrals of principal and/or interest payments in response to COVID-19 of \$1.6 million (0.40% of total loans) as of March 31, 2021, down from a peak of \$133.7 million (29.2% of loans);
- Period end allowance for loan losses of \$5.3 million, down 3.8%, from \$5.5 million at December 31, 2020;
- Nonperforming assets of \$3.6 million, up 2.9% from \$3.5 million at December 31, 2020;
- Period end deposits of \$492.6 million, up 8.1% from December 31, 2020;
- Opened the Bank’s fifth bank branch in High Point, NC in February of 2021.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, “I am extremely pleased with our record performance in the first quarter of 2021, and very proud of our Bank’s support of the local community through our continued participation in the PPP program. Loans in deferral peaked at 29% of total loans in the second quarter of 2020 and have since fallen to 0.40% of total loans at March 31, 2021, a very positive sign. While it remains 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 Company also announced a \$0.01 increase in its quarterly cash dividend to \$0.07 per share of common stock. The dividend is payable on June 10, 2021 to stockholders of record as of the close of business on May 25, 2021. “We are pleased to increase 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 March 31, 2021 the Bank’s CBLR was 9.56%, up from 9.22% at December 31, 2020. As of March 31, 2021, the Company’s stockholders’ equity was \$45.9 million, up 3.1%, from \$44.5 million at December 31, 2020.

With respect to the consolidated statement of operations for the first three months of 2021, net interest income was \$5.6 million in 2021, up \$1.6 million, or 40.0%, from \$4.0 million for the first quarter of 2020.

The Company recorded a negative provision for loan losses of \$112,000 million in the first three months 2021, compared with a loan loss provision of \$1.1 million in the same period of 2020. The allowance for loan losses as a percentage of total loans was 1.21% at December 31, 2021 compared to 0.90% at December 31, 2020. The Company increased the allowance for loan losses in 2020, largely due to increase in the qualitative factors in the Company's allowance for loan loss model due to the deteriorating economic outlook related to COVID-19. Nonperforming assets represented 0.62% of total assets as of March 31, 2021, down slightly from 0.64% at December 31, 2020.

Noninterest income totaled \$671,000 in the first three months of 2021, unchanged from the same period in 2020. Noninterest expense totaled \$3.7 million in the first three months in 2021, up slightly from \$3.3 million in the same period in 2020.

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, High Point, 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
As of March 31, 2021 (Unaudited) and December 31, 2020 (Audited)

	2021	2020
Assets		
Cash and due from banks	\$ 8,624	\$ 9,354
Interest-bearing deposits with banks	37,628	11,994
Total cash and cash equivalents	46,252	21,348
Securities available-for-sale	45,153	46,357
Securities held-to-maturity	529	564
Restricted stock, at cost	1,525	1,806
Loans, net of allowance for loan losses of \$5,250 at period end 2021 and \$5,458 at year end 2020	457,734	445,127
Property and equipment, net	10,504	10,632
Accrued interest receivable	2,075	2,412
Bank owned life insurance	5,951	5,930
Right-of-use assets – operating leases	1,893	1,990
Other assets	5,137	4,464
Total assets	<u>\$ 576,573</u>	<u>\$ 540,630</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 110,904	\$ 94,227
Interest-bearing	381,650	361,510
Total deposits	492,554	455,737
Short-term borrowings	5,000	8,000
Long-term borrowings	886	952
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	15,476	15,484
Lease liabilities – operating leases	1,892	1,990
Accrued interest payable	293	140
Other liabilities	6,528	5,604
Total liabilities	<u>530,877</u>	<u>496,155</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,675,500 issued and outstanding at period end 2021 and 2,639,345 at year end 2020	25,153	25,013
Retained earnings	17,669	15,771
Accumulated other comprehensive income	3,054	3,691
Total stockholders' equity	<u>45,875</u>	<u>44,475</u>
Total liabilities and stockholders' equity	<u>\$ 576,573</u>	<u>\$ 540,630</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Income
Three months ended March 31, 2021 and 2020 (Unaudited)
(Dollars in thousands except per share data)

	2021	2020
<i>Interest and dividend income</i>		
Loans and fees on loans	\$ 5,874	\$ 4,924
Interest on deposits in banks	24	65
Restricted stock dividends	20	16
Taxable investment securities	336	298
Total interest and dividend income	<u>6,254</u>	<u>5,303</u>
<i>Interest expense</i>		
Deposits	375	1,060
Short-term and long-term debt	321	274
Total interest expense	<u>696</u>	<u>1,333</u>
Net interest income	5,558	3,969
<i>Provision for (recovery of) loan losses</i>	<u>(112)</u>	<u>1,140</u>
Net interest income after provision for loan losses	5,670	2,829
<i>Noninterest income</i>		
Service charges on deposit accounts	135	181
Brokerage commissions on mortgage loans	77	82
Insurance commissions	121	84
Gain on sale of SBA loans	-	-
Debit and credit card interchange income	254	243
Income earned on bank owned life insurance	21	24
Other service charges and fees	63	59
Total noninterest income	<u>671</u>	<u>673</u>
<i>Noninterest expense</i>		
Salaries	1,853	1,546
Employee benefits	294	272
Occupancy	286	236
Equipment	277	245
Data and item processing	446	512
Professional and advertising	157	166
Stationary and supplies	39	34
Net cost of foreclosed assets	-	5
Impairment loss on securities	10	-
Telecommunications	95	77
FDIC assessment	58	13
Other expense	229	228
Total noninterest expense	<u>3,744</u>	<u>3,334</u>
Income before income taxes	2,597	168
<i>Income tax expense (benefit)</i>	<u>542</u>	<u>(4)</u>
<i>Net income and income available to common stockholders</i>	<u>\$ 2,055</u>	<u>\$ 172</u>
<i>Basic income per common share</i>	<u>\$ 0.77</u>	<u>\$ 0.07</u>
<i>Diluted income per common share</i>	<u>\$ 0.77</u>	<u>\$ 0.07</u>
<i>Basic weighted average shares outstanding</i>	<u>2,675,500</u>	<u>2,635,135</u>
<i>Diluted weighted average shares outstanding</i>	<u>2,675,500</u>	<u>2,644,434</u>

Selected Financial Data	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Return on average common stockholders' equity ¹	18.45 %	9.17 %	8.50 %	11.66 %	1.68 %	10.23 %
Tangible book value per share	\$ 17.24	\$ 16.86	\$ 16.36	\$ 15.98	\$ 15.22	\$ 15.36
Return on average assets ¹	1.49 %	0.73 %	0.64 %	0.92 %	0.14 %	0.86 %
Net interest margin ¹	4.26 %	3.57 %	3.42 %	3.50 %	3.49 %	3.57 %
Net interest income to average assets ¹	4.03 %	3.32 %	3.27 %	3.34 %	3.32 %	3.37 %
Efficiency ratio	59.94 %	67.64 %	68.67 %	62.79 %	71.82 %	74.53 %
Nonperforming assets to total assets	0.62 %	0.64 %	0.64 %	0.65 %	0.78 %	0.81 %

¹Annualized