

## Oak Ridge Financial Services, Inc. Announces Third Quarter 2021 Results

OAK RIDGE, N.C., Oct. 26, 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 three and nine months ended September 30, 2021.

### Third Quarter 2021 Highlights

- Basic and diluted earnings per share of \$0.75 for the three months ended September 30, 2021, up 42 cents, or 127.3%, from the comparable 2020 period;
- Annualized return on average common stockholders' equity of 16.40% for the three months ended September 30, 2021, compared to 8.50% for the same period in 2020;
- Tangible book value per common share of \$18.72 as of September 30, 2021, up 14.4%, or \$2.36, from \$16.36 as of September 30, 2020;
- Through September 30, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 90% on the \$50.1 million of first round of Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans;
- Through the nine months ending September 30, 2021, the Bank funded 418 Round 2 PPP loans totaling \$30.8 million, the associated fees and origination costs will be recognized as interest income and expense, respectively, over the life of the PPP loans;
- Through September 30, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 27% on the \$30.8 million of second round of Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans;
- Period end loans of \$441.5 million, down 2.02% (2.71% annualized), or \$9.1 million from \$450.6 million as of December 31, 2020;
- Period end allowance for loan losses of \$4.2 million, down 22.6%, from \$5.5 million on December 31, 2020;
- Nonperforming assets of \$2.8 million, down 20% from \$3.5 million on December 31, 2020;
- Period end deposits of \$487.2 million, up 6.9%, or \$31.5 million from \$455.7 million as of December 31, 2020.
- Through the nine months ending September 30, 2021, the Bank has retired \$8 million in short term borrowings and \$5.6 million in subordinated debentures.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "I am extremely pleased with our continued strong performance in the third quarter of 2021. I am thankful to have our experienced team of bankers and a supportive board of directors as we address future opportunities and challenges."

A quarterly cash dividend of \$0.07 per share of common stock is payable on December 1, 2021 to stockholders of record as of the close of business on November 16, 2021. "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."

The Bank adopted the 9% community bank leverage ratio ("CBLR") requirement as of September 30, 2020. As of September 30, 2021, the Bank's CBLR was 10.09%, up from 9.37% on December 31, 2020. As of September 30, 2021, the Company's stockholders' equity was \$49.5 million, up 11.3%, from \$44.5 million on December 31, 2020.

With respect to the consolidated statement of operations for the three months ended September 30, 2021, net interest income was \$5.3 million, compared to \$4.5 million during the same period in 2020. For the three months ended September 30, 2021, the net interest margin was 3.94% compared to 3.42% for the same period in 2020, an increase of 52 basis points. For the nine months ended September 30, 2021, net interest income was \$16.0 million, compared to \$12.9 million during the same period in 2020. The net interest margin was 4.00% for the nine months ended September 30, 2021, compared to 3.55% for the same period in 2020, an increase of 45 basis points.

The Company recorded a negative provision for loan losses of \$135,000 for the three months ended September 30, 2021, compared to a provision of \$617,000 for the same period in 2020. For the nine months ended September 30, 2021, the Company recorded a negative provision of \$247,000 compared with a provision of \$2.2 million for the same period in 2020. The allowance for loan losses as a percentage of total loans was 0.96% on September 30, 2021, compared to 1.21% on December 31, 2020. The allowance for loan losses as a percentage of total loans not including PPP loans was 1.02% on September 30, 2021, compared to 1.35% as of December 31, 2020. The decrease in the allowance for loan losses in 2021 was largely the result of the Company decreasing the qualitative factors in its allowance for loan loss model due to the improving overall economic outlook and specifically related to the economic effects COVID-19. Nonperforming assets represented 0.50% of total assets on September 30, 2021, compared to 0.64% on December 31, 2020.

Noninterest income totaled \$919,000 for the three months ended September 30, 2021, compared with \$900,000 for the same period in 2020, an increase of \$19,000 or 2.1%. The biggest contributors to the decrease was a gain on sale of SBA loans (not PPP loans) of \$202,000 in the third quarter of 2020 and \$56,000 such gains in the comparable period in 2021; as well as a gain on the sale of investment securities of \$182,000 in the third quarter of 2021 and no such gains in the comparable period in 2020. Noninterest income totaled \$2.2 million for the nine months ended September 30, 2021, compared with \$2.5 million for the same period in 2020, a decrease of \$266,000 or 10.6%. The biggest contributor to the decrease was the above-mentioned gain on sale of SBA loans in the comparable period in 2020 as well as the above-mentioned gain on sale of investment securities in the nine months ended September 30, 2021, and no such gains on sale of investment securities in the comparable period in 2020.

Noninterest expense totaled \$3.8 million in the three months ended September 30, 2021, an increase of \$112,000, or 3.0%, from the same period in 2020. The increase was driven by higher employee salaries which increased by \$188,000 compared to the prior period. Annual merit increases effective January 1, 2021, higher 2021 incentive payments, and higher 2020 deferred loan origination expense contributed to the increase in salaries. Noninterest expense totaled \$11.2 million in the nine months ended September 30, 2021, an increase of

\$782,000, or 7.5%, from 2020. The increase was driven by higher employee salaries which increased by \$791,000 compared to the prior period. Annual merit increases effective January 1, 2021, higher 2021 incentive payments, and higher 2020 deferred loan origination expense contributed to the salary increase.

### 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 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](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

As of September 30, 2021 (Unaudited) and December 31, 2020 (Audited)

	2021	2020
<b>Assets</b>		
Cash and due from banks	\$ 8,949	\$ 9,354
Interest-bearing deposits with banks	44,617	11,994
Total cash and cash equivalents	53,566	21,348
Securities available-for-sale	45,266	46,357
Securities held-to-maturity	455	564
Restricted stock, at cost	1,320	1,806
Loans, net of allowance for loan losses of \$4,227 at period end 2021 and \$5,458 at year end 2020	437,237	445,127
Property and equipment, net	10,131	10,632
Accrued interest receivable	1,783	2,412
Bank owned life insurance	5,993	5,930
Right-of-use assets – operating leases	1,695	1,990
Other assets	5,447	4,464
Total assets	<u>\$ 562,893</u>	<u>\$ 540,630</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 119,101	\$ 94,227
Interest-bearing	368,119	361,510
Total deposits	487,220	455,737
Short-term borrowings	-	8,000
Long-term borrowings	750	952
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	9,853	15,484
Lease liabilities – operating leases	1,695	1,990
Accrued interest payable	271	140
Other liabilities	5,340	5,604
Total liabilities	<u>513,377</u>	<u>496,155</u>

### Stockholders' equity

Common stock, no par value; 50,000,000 shares authorized; 2,672,620 issued and outstanding at period end 2021 and 2,639,345 at year end 2020	25,379	25,013
Retained earnings	21,028	15,771
Accumulated other comprehensive income	3,109	3,691
Total stockholders' equity	49,516	44,475
Total liabilities and stockholders' equity	\$ 562,893	\$ 540,630

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Income**

*Nine and three months ended September 30, 2021 and 2020 (Unaudited)*  
*(Dollars in thousands except per share data)*

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Interest and Dividend Income</b>				
Loans and fees on loans	\$ 5,471	\$ 5,302	\$ 16,787	\$ 15,453
Interest on deposits in banks	11	11	21	79
Restricted stock dividends	19	10	59	51
Taxable and tax-exempt investment securities	330	322	1,014	937
Total interest and dividend income	5,831	5,645	17,881	16,520
<b>Interest expense</b>				
Deposits	304	729	1,027	2,644
Short-term and long-term debt	209	416	855	954
Total interest expense	513	1,145	1,882	3,598
Net interest income	5,318	4,500	15,999	12,922
<b>Provision for (recovery of) loan losses</b>	(135)	617	(247)	2,246
Net interest income after provision for loan losses	5,453	3,883	16,246	10,676
<b>Noninterest income</b>				
Service charges on deposit accounts	135	136	390	445
Brokerage commissions on mortgage loans	67	97	199	295
Insurance commissions	112	103	321	275
Gain on sale of SBA loans	56	202	56	464
Debit and credit card interchange income	283	275	829	796
Income earned on bank owned life insurance	21	24	63	70
Gain on sale of investment securities	182	-	182	-
Other service charges and fees	63	63	208	169
Total noninterest income	919	900	2,248	2,514
<b>Noninterest expense</b>				
Salaries	1,708	1,520	5,198	4,407
Employee benefits	265	330	830	831
Occupancy	271	261	800	713
Equipment	284	259	829	752
Data and item processing	500	540	1,375	1,633
Professional and advertising	296	148	724	462
Stationary and supplies	42	51	139	103
Net cost of foreclosed assets	-	-	-	-
Impairment loss on securities	-	31	28	53
Telecommunications	91	83	281	265
FDIC assessment	48	107	141	194
Other expense	315	378	865	1,015
Total noninterest expense	3,820	3,708	11,210	10,428
Income before income taxes	2,552	1,075	7,284	2,762
<b>Income tax expense</b>	539	199	1,495	513
<b>Net income and income available to common stockholders</b>	\$ 2,013	\$ 876	\$ 5,789	\$ 2,249
<b>Basic income per common share</b>	\$ 0.75	\$ 0.33	\$ 2.17	\$ 0.85
<b>Diluted income per common share</b>	\$ 0.75	\$ 0.33	\$ 2.17	\$ 0.85
<b>Basic weighted average shares outstanding</b>	2,672,620	2,644,165	2,667,405	2,641,251
<b>Diluted weighted average shares outstanding</b>	2,672,620	2,644,165	2,667,405	2,648,882

Selected Financial Data	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Return on average common stockholders' equity <sup>1</sup>	16.40%	14.71%	18.45%	9.17%	8.50%	11.61%
Tangible book value per share	\$ 18.72	\$ 17.93	\$ 17.24	\$ 16.86	\$ 16.36	\$ 15.98
Return on average assets <sup>1</sup>	1.41%	1.20%	1.49%	0.73%	0.64%	0.92%
Net interest margin <sup>1</sup>	3.94%	3.79%	4.26%	3.57%	3.42%	3.60%
Net interest income to average assets <sup>1</sup>	3.73%	3.67%	4.03%	3.32%	3.27%	3.41%
Efficiency ratio	63.08%	62.80%	59.94%	67.64%	68.67%	62.79%
Nonperforming assets to total assets	0.50%	0.55%	0.62%	0.64%	0.64%	0.65%

<sup>1</sup>Annualized

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