



FOR IMMEDIATE RELEASE

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Oak Ridge Financial Services, Inc. Announces 2021 Results and Quarterly Cash Dividend of \$0.07 Per Share

OAK RIDGE, N.C., January 31, 2022 (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 2021, and a quarterly cash dividend of \$0.07 per share.

Fourth Quarter and Full Year 2021 Highlights

- Earnings per share of \$2.91 for 2021, up \$1.68, or 137%, from 2020; earnings per share of \$0.74 for the three months ended December 31, 2021, up 36 cents, or 95%, from the same period in 2020;
- Return on average common stockholders' equity of 15.70% for 2021, compared to 7.68% for 2020; return on average common stockholders' equity of 14.78% for the three months ended December 31, 2021, compared to 9.17% for the same period in 2020;
- Negative loan loss provision for the year ended December 31, 2021 of \$682,000, compared to a loan loss provision of \$2.7 million for 2020; 2020 loan loss provision of \$2.7 million predominantly related to the potential adverse economic impact of the COVID-19 pandemic;
- Tangible book value per common share of \$19.20, up 13.9%, or \$2.34, from \$16.86 as of December 31, 2020.
- Through December 31, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 92% on the \$50.1 million of first round of Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans;
- In 2021, the Bank funded 418 second round 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 December 31, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 50% on the \$30.8 million of second round of PPP loans;
- Period end loans of \$429.7 million, down 4.6% from December 31, 2020. Period end loans, net of PPP loans, of \$410.6 million, up 2.4% from December 31, 2020;
- Period end allowance for loan losses of \$3.8 million, down 31.2%, from \$5.5 million at December 31, 2020.
- Nonperforming assets of \$3.0 million, down 14.3% from \$3.5 million at December 31, 2020.
- Period end deposits of \$509.3 million, up 11.7% from December 31, 2020. Period end noninterest-bearing deposits of \$116.5 million, up 23.7% from December 31, 2020.

Tom Wayne, Chief Executive Officer and Chief Financial Officer of the Company and the Bank, reported, "I am extremely pleased with our continued strong performance in the fourth quarter and for the full year of 2021. Despite the continued challenges presented by the ongoing pandemic, we experienced excellent financial performance. I am thankful for our experienced team of bankers and board of directors, and our supportive clients as we address future opportunities and challenges."

A quarterly cash dividend of \$0.07 per share of common stock is payable on March 2, 2022 to stockholders of record as of the close of business on February 16, 2022. "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 September 30, 2020. As of December 31, 2021, the Bank's CBLR was 10.17%, up from 9.37% on December 31, 2020. As of December 31, 2021, the Company's stockholders' equity was \$51.3 million, up 15.4%, from \$44.5 million on December 31, 2020.

With respect to the consolidated statement of operations for 2021 and 2020, net interest income was \$21.0 million for 2021, up \$3.4 million, or 19.4%, from \$17.6 million during the year ending December 31, 2020. For 2021, the net interest margin was 3.96% compared to 3.50% for year ending December 31, 2020, an increase of 39 basis points. The primary reason for the increase in the net interest margin was an increase in interest income on loans and fees on loans of \$1.3 million from 2020 to 2021, as well as a \$1.9 million decrease in interest expense on deposits from 2020 to 2021.

The Company recorded a negative provision for loan losses of \$682,000 in 2021, compared with a loan loss provision of \$2.7 million in 2020. The allowance for loan losses as a percentage of total loans not including PPP loans was 0.92% as of December 31, 2021 compared to 1.36% 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 economic outlook. Nonperforming assets represented 0.51% of total assets as of December 31, 2021, compared to 0.64% at December 31, 2020.

Noninterest income totaled \$4.1 million in 2021, a 30% increase from 2020. The biggest contributor to the increase in noninterest income was a \$641,000 increase in gain on sale of SBA loans from 2020 to 2021. Noninterest expense totaled \$16.0 million in 2021, a 13.9% increase from 2020. The biggest contributor to the increase in noninterest expense was a 27% increase in salaries from 2020 to 2021. There were a variety of factors leading to the increase in salaries: PPP cost deferral in 2020 and recognition in 2021, higher incentive payments to employees due to better performance against goals in 2021 compared to 2020, scheduled merit increases on January 1, 2021, and accelerated merit increases on November 1, 2021.

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.

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 December 31, 2021 (Unaudited) and 2020 (Audited)

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and due from banks	\$ 8,998	\$ 9,354
Interest-bearing deposits with banks	<u>79,086</u>	<u>11,994</u>
Total cash and cash equivalents	88,084	21,348
Securities available-for-sale	46,948	46,357
Securities held-to-maturity	387	564
Restricted stock, at cost	1,324	1,806
Loans, net of allowance for loan losses of \$3,756 and \$5,458 at December 31, 2021 and 2020, respectively	425,900	445,127
Property and equipment, net	9,907	10,632
Accrued interest receivable	1,842	2,412
Bank owned life insurance	6,014	5,930
Right-of-use assets – operating leases	1,594	1,990
Other assets	<u>4,921</u>	<u>4,464</u>
Total assets	<u>\$ 586,921</u>	<u>\$ 540,630</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 116,525	\$ 94,227
Interest-bearing	<u>392,754</u>	<u>361,510</u>
Total deposits	509,279	455,737
Short-term borrowings	-	8,000
Long-term borrowings	683	952
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	9,863	15,484
Lease liabilities – operating leases	1,594	1,990
Accrued interest payable	110	140
Other liabilities	<u>5,816</u>	<u>5,604</u>
Total liabilities	<u>535,593</u>	<u>496,155</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,672,620 and 2,639,345 issued and outstanding at December 31, 2021 and 2020, respectively	25,532	25,013
Retained earnings	22,815	15,771
Accumulated other comprehensive income	<u>2,981</u>	<u>3,691</u>
Total stockholders' equity	<u>51,328</u>	<u>44,475</u>
Total liabilities and stockholders' equity	<u>\$ 586,921</u>	<u>\$ 540,630</u>

Oak Ridge Financial Services, Inc.

Consolidated Statements of Income

For the three months and years ended December 31, 2021 and 2020 (Unaudited)

(Dollars in thousands)

	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Interest and dividend income				
Loans and fees on loans	\$ 5,135	\$ 5,196	\$ 21,922	\$ 20,649
Interest on deposits in banks	23	4	44	58
Restricted stock dividends	18	48	78	98
Interest on investment securities	317	367	1,331	1,329
Total interest and dividend income	<u>5,493</u>	<u>5,615</u>	<u>23,375</u>	<u>22,134</u>
Interest expense				
Deposits	279	570	1,306	3,213
Short-term and long-term debt	204	365	1,059	1,319
Total interest expense	<u>483</u>	<u>935</u>	<u>2,365</u>	<u>4,532</u>
Net interest income	5,010	4,680	21,010	17,602
Provision for loan losses				
Net interest income after provision for loan losses	<u>(435)</u>	<u>500</u>	<u>(682)</u>	<u>2,746</u>
	<u>5,445</u>	<u>4,180</u>	<u>21,692</u>	<u>14,856</u>
Noninterest income				
Service charges on deposit accounts	144	143	534	588
Gain on sale of securities	-	-	182	-
Loss on sale of property and equipment	-	-	-	(6)
Brokerage commissions on mortgage loans	91	86	290	381
Insurance commissions	92	87	413	362
Gain on sale of SBA loans	1,049	-	1,105	464
Debit and credit card interchange income	300	252	1,129	1,047
Income from SBIC	102	-	102	-
Income earned on bank owned life insurance	21	23	84	93
Other service charges and fees	42	57	251	227
Total noninterest income	<u>1,841</u>	<u>648</u>	<u>4,090</u>	<u>3,156</u>
Noninterest expense				
Salaries	2,603	1,731	7,801	6,138
Employee benefits	289	286	1,119	1,117
Occupancy	285	285	1,086	998
Equipment	280	258	1,109	1,003
Data and item processing	550	514	1,925	2,147
Professional and advertising	107	118	831	579
Stationary and supplies	39	29	179	132
Net cost of foreclosed assets	-	-	-	5
Impairment loss on securities	46	5	74	58
Telecommunications	88	86	369	351
FDIC assessment	30	72	171	266
Other expense	460	234	1,326	1,245
Total noninterest expense	<u>4,777</u>	<u>3,618</u>	<u>15,990</u>	<u>14,039</u>
Income before income taxes	2,509	1,210	9,792	3,973
Income tax expense				
Net income and income available to common stockholders	<u>534</u>	<u>200</u>	<u>2,029</u>	<u>714</u>
	<u>\$ 1,975</u>	<u>\$ 1,010</u>	<u>\$ 7,763</u>	<u>\$ 3,259</u>
Basic income per common share				
	<u>\$ 0.74</u>	<u>\$ 0.38</u>	<u>\$ 2.91</u>	<u>\$ 1.23</u>
Diluted income per common share				
	<u>\$ 0.74</u>	<u>\$ 0.38</u>	<u>\$ 2.91</u>	<u>\$ 1.23</u>
Basic weighted average shares outstanding				
	<u>2,672,620</u>	<u>2,639,345</u>	<u>2,668,720</u>	<u>2,640,504</u>
Diluted weighted average shares outstanding				
	<u>2,672,620</u>	<u>2,639,345</u>	<u>2,668,720</u>	<u>2,640,504</u>

Selected Financial Data	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Return on average common stockholders' equity ¹	15.70 %	16.40 %	14.71 %	18.45 %	9.17 %	8.50 %
Tangible book value per share	\$ 19.20	\$ 18.53	\$ 17.93	\$ 17.24	\$ 16.85	\$ 16.36
Return on average assets ¹	1.36 %	1.41 %	1.20 %	1.49 %	0.73 %	0.64 %
Net interest margin ¹	3.65 %	3.94 %	3.79 %	4.26 %	3.57 %	3.42 %
Efficiency ratio	69.73 %	63.08 %	62.80 %	59.94 %	67.64 %	68.67 %
Nonperforming assets to total assets	0.51% %	0.50 %	0.55 %	0.62 %	0.64 %	0.64 %

¹Annualized