



For Immediate Release

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Oak Ridge Financial Services, Inc. Announces First Quarter 2022 Results, Increase in Quarterly Cash Dividend to \$0.08 Per Share

OAK RIDGE, N.C., May 4, 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 first three months of 2022, and an increase in its quarterly cash dividend to \$0.08.

First Quarter 2022 Highlights

- Earnings per share of \$0.62 for the three months ended March 31, 2022, down 15 cents from the comparable 2021 period.
- Annualized return on average common stockholders' equity of 13.07% for the three months ended March 31, 2022, compared to 18.45% for the same period in 2021.
- Tangible book value per common share of \$18.63 as of March 31, 2022, up 8.1%, or \$1.39, from \$17.24 as of March 31, 2021.
- Period end loans of \$434.5 million, up 1.1% (4.5% annualized) from December 31, 2021.
- Period end allowance for loan losses of \$3.9 million, up 3.6%, from \$3.8 million on December 31, 2021.
- Nonperforming assets of \$1.0 million, down 65.2% from \$3.0 million on December 31, 2021.
- Period end deposits of \$541.6 million, up 6.4% (26.0% annualized) from December 31, 2021.
- Through March 31, 2022, the Small Business Administration ("SBA") forgave, and the Bank recognized remaining unamortized fees and associated costs of approximately 92% on the \$80.0 million of first and second rounds of SBA Paycheck Protection Program ("PPP") loans.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "I am extremely pleased with our continued strong financial performance in the first quarter of 2022 given the reduction in the bank's income as our participation in the PPP program ends. Our team has shown great resilience and performance as we navigate the ever changing economic and social environment. In the first quarter of 2022, we experienced solid loan growth despite the reduction in PPP loans, and deposit growth was strong as well. Additionally, our nonperforming assets to total assets declined from 0.51% on December 31, 2021, to 0.16% on March 31, 2022."

The Company also announced a \$0.01 increase in its quarterly cash dividend to \$0.08 per share of common stock. The dividend is payable on June 9, 2022, to stockholders of record as of the close of business on May 24, 2022. "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 has adopted the community bank leverage ratio ("CBLR") requirement, and as of March 31, 2022, the Bank's CBLR was 10.2%, unchanged from December 31, 2021. Stockholders' equity on March 31, 2022, was \$50.3 million, down 1.9% from \$51.3 million on December 31, 2021, due to a reduction in accumulated other comprehensive income.

With respect to the consolidated statement of operations for the three months ended March 31, 2022, net interest income was \$5.4 million, compared to \$5.6 million during the same period in 2021. For the three months ended

March 31, 2022, the annualized net interest margin was 4.07% compared to 4.26% for the same period in 2021, a decrease of 19 basis points.

The Company recorded a provision for loan losses of \$88,000 for the three months ended March 31, 2022, compared to a negative provision of \$112,000 for the same period in 2021. The allowance for loan losses as a percentage of total loans was 0.89% on March 31, 2022, compared to 0.87% on December 31, 2021. The allowance for loan losses as a percentage of total loans not including PPP loans was 0.91% on March 31, 2022, and December 31, 2021. The primary risks inherent in the Bank's loan portfolio, including the adequacy of the allowance or reserve for loan losses, are based on management's assumptions regarding, among other factors, general and local economic conditions, which are difficult to predict and are beyond the Bank's control. In estimating these risks, and the related loss reserve levels, management also considers the financial conditions of specific borrowers and credit concentrations with specific borrowers, groups of borrowers, and industries. Nonperforming assets represented 0.16% of total assets on March 31, 2022, compared to 0.51% on December 31, 2021.

Noninterest income totaled \$779,000 for the three months ended March 31, 2022, compared with \$671,000 for the same period in 2021, an increase of \$108,000 or 16.1%. The most significant contributors to the overall increase were increases in Income from Small Business Investment Company ("SBIC"), gain on sale of SBA non-PPP loans, and debit and credit card interchange income of \$69,000, \$30,000, and \$22,000, respectively.

Noninterest expense totaled \$4.0 million in the three months ended March 31, 2022, an increase of \$293,000, or 7.8%, from the same period in 2021. The most significant contributors to the overall increase were increases in salaries (because of annual salary increases as of November 1, 2021, and lower 2021 payroll tax expense), professional and advertising, and other expense of \$163,000, \$133,000, and \$73,000, respectively.

About Oak Ridge Financial Services, Inc., and Bank of Oak Ridge

At Bank of Oak Ridge, we pride ourselves on knowing your name when you walk through our door. Whether in-person or through our digital offerings, managing your financial well-being is easy, safe, and convenient. We are the longest-running employee-owned community bank in the Triad and have served community members, local businesses, and non-profit organizations since 2000. Learn more about what makes Bank of Oak Ridge the Triad's community bank by visiting one of our convenient locations in Greensboro, High Point, Summerfield & Oak Ridge.

Oak Ridge Financial Services, Inc. (OTC Pink: BKOR) is the holding company for Bank of Oak Ridge. Bank of Oak Ridge is a member of the FDIC and an Equal Housing Lender.

Awards & Recognitions | Best Bank in the Triad | Triad's Top Workplace Finalist | 2016 Better Business Bureau Torch Award for Business Ethics | Triad's Healthiest Employer Winner

Banking for Business & Personal | Mobile & Online Banking | Worldwide ATM | Debit, Credit + Rewards | Checking, Savings & Money Market | Loans + SBA | Mortgage | Insurance | Wealth Management

Let's Talk | 336.644.9944 | www.BankofOakRidge.com | Extended Hours at all Triad Locations

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, 2022 (Unaudited) and December 31, 2021 (Audited)

(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and due from banks	\$ 10,831	\$ 8,998
Interest-bearing deposits with banks	<u>96,711</u>	<u>79,086</u>
Total cash and cash equivalents	107,542	88,084
Securities available-for-sale	54,370	46,948
Securities held-to-maturity	370	387
Restricted stock, at cost	1,347	1,324
Loans, net of allowance for loan losses of \$3,891 and \$3,756 at March 31, 2022 and December 31, 2021, respectively	430,640	425,900
Property and equipment, net	9,655	9,907
Accrued interest receivable	1,819	1,842
Bank owned life insurance	6,034	6,014
Right-of-use assets – operating leases	1,493	1,594
Other assets	<u>5,413</u>	<u>4,921</u>
Total assets	<u>\$ 618,683</u>	<u>\$ 586,921</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 143,338	\$ 116,525
Interest-bearing	<u>398,294</u>	<u>392,754</u>
Total deposits	541,632	509,279
Long-term borrowings	617	683
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,873	9,863
Lease liabilities – operating leases	1,493	1,594
Accrued interest payable	273	110
Other liabilities	<u>6,204</u>	<u>5,816</u>
Total liabilities	<u>568,340</u>	<u>535,593</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,702,370 and 2,672,620 issued and outstanding at March 31, 2022 and December 31, 2021, respectively	25,700	25,532
Retained earnings	24,291	22,815
Accumulated other comprehensive income	<u>352</u>	<u>2,981</u>
Total stockholders' equity	<u>50,343</u>	<u>51,328</u>
Total liabilities and stockholders' equity	<u>\$ 618,683</u>	<u>\$ 586,921</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Income (Unaudited)
For the three months ended March 31, 2022 and 2021
(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Interest and dividend income		
Loans and fees on loans	\$ 5,489	\$ 5,874
Interest on deposits in banks	27	24
Restricted stock dividends	18	20
Interest on investment securities	<u>356</u>	<u>336</u>
Total interest and dividend income	<u>5,890</u>	<u>6,254</u>
Interest expense		
Deposits	257	375
Short-term and long-term debt	<u>211</u>	<u>321</u>
Total interest expense	<u>468</u>	<u>696</u>
Net interest income	5,422	5,558
Provision for (recovery of) loan losses		
Net interest income after provision for loan losses	<u>88</u>	<u>(112)</u>
	<u>5,334</u>	<u>5,670</u>
Noninterest income		
Service charges on deposit accounts	136	135
Brokerage commissions on mortgage loans	73	77
Insurance commissions	114	121
Gain on sale of Small Business Administration loans	30	-
Debit and credit card interchange income	277	254
Income from Small Business Investment Company	69	-
Income earned on bank owned life insurance	20	21
Other service charges and fees	<u>60</u>	<u>63</u>
Total noninterest income	<u>779</u>	<u>671</u>
Noninterest expense		
Salaries	2,016	1,853
Employee benefits	247	294
Occupancy	295	286
Equipment	252	277
Data and item processing	446	446
Professional and advertising	290	157
Stationary and supplies	27	39
Impairment loss on securities	-	10
Telecommunications	108	95
FDIC assessment	54	58
Other expense	<u>302</u>	<u>229</u>
Total noninterest expense	<u>4,037</u>	<u>3,744</u>
Income before income taxes	2,076	2,597
Income tax expense		
	<u>414</u>	<u>542</u>
Net income and income available to common stockholders	<u>\$ 1,662</u>	<u>\$ 2,055</u>
Basic income per common share		
	<u>\$ 0.62</u>	<u>\$ 0.77</u>
Diluted income per common share		
	<u>\$ 0.62</u>	<u>\$ 0.77</u>
Basic weighted average shares outstanding		
	<u>2,682,982</u>	<u>2,675,500</u>
Diluted weighted average shares outstanding		
	<u>2,682,982</u>	<u>2,675,500</u>

Selected Financial Data	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Return on average common stockholders' equity ¹	13.07 %	15.70 %	16.40 %	14.71 %	18.45 %	9.17 %
Tangible book value per share	\$ 18.63	\$ 19.20	\$ 18.53	\$ 17.93	\$ 17.24	\$ 16.85
Return on average assets ¹	1.14 %	1.36 %	1.41 %	1.20 %	1.49 %	0.73 %
Net interest margin ¹	4.07 %	3.65 %	3.94 %	3.79 %	4.26 %	3.57 %
Efficiency ratio	65.10 %	69.73 %	63.08 %	62.80 %	59.94 %	67.64 %
Nonperforming assets to total assets	0.16 %	0.51 %	0.50 %	0.55 %	0.62 %	0.64 %

¹Annualized