



**For Immediate Release**

Contact: Skylar Mearing, Marketing Director  
Phone: 336.662.4840

**Oak Ridge Financial Services, Inc. Announces First Quarter 2023 Results, Increase in Quarterly Cash Dividend to \$0.10 Per Share**

OAK RIDGE, N.C., May 2, 2023 (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 2023, and an increase of \$0.02, or 25%, in its quarterly cash dividend to \$0.10 per common share.

**First Quarter 2023 Performance**

- Earnings per share of \$0.47 for the first quarter of 2023, down 15 cents from the year-ago quarter.
- Annualized return on average common stockholders' equity of 9.62% for the first quarter 2023, compared to 13.07% for the year-ago quarter.
- Tangible book value per common share of \$19.94 as of March 31, 2023, up 7.0%, or \$1.31, from \$18.63 as of March 31, 2022.
- Net interest margin of 3.91% for first quarter of 2023, compared to 4.02% for the prior quarter and 4.07% for the year-ago quarter.
- Efficiency ratio of 71.60% for the first quarter of 2023, compared to 69.64% for the prior quarter and 65.10% for the year-ago quarter.

**Summary financial position at March 31, 2023, as compared to December 31, 2022**

- Total assets increased \$1.6 million, or 0.3% (1.1% annualized), to \$590.9 million at March 31, 2023, from \$589.3 million at December 31, 2022.
- Cash and cash equivalents decreased \$17.4 million, or 34.6%, to \$32.9 million from \$50.4 million at December 31, 2022.
- Total net loans increased \$20.4 million, or 4.8% (19.6% annualized), to \$440.8 million at March 31, 2023, from \$421.4 million at December 31, 2022.
  - Loans secured by owner-occupied nonfarm nonresidential properties ("Owner occupied CRE") were \$118.6 million and \$111.2 million at March 31, 2023 and December 31, 2022, respectively.
  - Loans secured by other nonfarm nonresidential properties ("Non-owner occupied CRE") were \$136.0 million and \$130.7 million at March 31, 2023 and December 31, 2022, respectively.
- Total deposits increased \$5.2 million, or 1.1% (4.4% annualized), to \$486.2 million at March 31, 2023, from \$481.0 million at December 31, 2022.
  - Ratio of estimated uninsured deposits to total deposits of 20.1% at March 31, 2023, compared to 22.1% at December 31, 2022.
- Stockholders' equity increased \$1.9 million, or 3.5% (14.3% annualized), to \$54.5 million at March 31, 2023, from \$52.6 million at December 31, 2022.
  - The Bank's Community Bank Leverage Ratio ("CBLR") was 11.25% at March 31, 2023, compared to 11.27% at December 31, 2022. Financial institutions that follow the CBLR guidelines and have a CBLR of greater than 9% meet the well-capitalized regulatory requirement.
  - Accumulated other comprehensive loss at March 31, 2023, of \$1.6 million or 2.9% of total stockholders' equity, compared to accumulated other comprehensive loss at December 31, 2022, of \$2.2 million or 4.0% of total stockholders' equity.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "Oak Ridge's operating performance for the quarter was solid considering the current economic conditions and the liquidity concerns in the banking industry. Despite the continued increase in market interest rates during the quarter and concern over bank failures in March, our net interest margin only decreased 9 basis points from year-end to 3.91% at March 31, 2023, net loans were up 4.8% from year-end balances, total deposits increased slightly compared to year-end balances with an estimated uninsured deposits to total deposits ratio of 20.1% at March 31, 2023, our asset quality improved further in the quarter with non-performing assets to total assets decreasing to four basis points, and our capital and liquidity levels remain strong. Oak Ridge remains focused on its full client relationships including long-term core deposits and lending solutions and other products and services that solve our customers' needs. Finally, we are incredibly proud of our team and appreciate their efforts in serving our clients during a challenging time for the banking industry."

The Company also announced a \$0.02 increase in its quarterly cash dividend to \$0.10 per share of common stock. The dividend is payable on June 9, 2023 to stockholders of record as of the close of business on May 24, 2023. "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."

With respect to the consolidated statement of operations for the three months ended March 31, 2023, net interest income was \$5.4 million, unchanged from the same period in 2022. For the three months ended March 31, 2023, the annualized net interest margin was 3.91% compared to 4.07% for the same period in 2022, a decrease of sixteen basis points.

The Company recorded a provision for loan losses of \$175,000 and \$88,000 for the three months ended March 31, 2023, and March 31, 2022, respectively. On January 1, 2023, the Company adopted Current Expected Credit Loss ("CECL") methodology for establishing its allowance for loan loss. As a result of adopting this standard the Company's retained earnings increased \$24,000, the allowance for loan losses decreased \$247,000, and the reserves for unfunded commitments increased \$223,000. The allowance for loan losses as a percentage of total loans was 1.07% and 1.14% on March 31, 2023, and December 31, 2022, respectively. 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 0.04% of total assets on March 31, 2023, compared to 0.13% on December 31, 2022.

Noninterest income totaled \$1.1 million for the three months ended March 31, 2023, compared with \$779,000 for the year-ago quarter, an increase of \$273,000 or 35.0%. Significant contributors to the overall increase were increases in Income from gain on sales of Small Business Administration loans, gain on sale of investment securities, and other service charges and fees of \$202,000, \$77,000, and \$106,000, respectively. Partially offsetting these increases were decreases in brokerage commissions on mortgage loans and insurance commissions of \$51,000 and \$17,000, respectively.

Noninterest expense totaled \$4.6 million in the three months ended March 31, 2023, an increase of \$554,000, or 13.7%, from the year-ago quarter in 2022. The most significant contributors to the overall increase were increases in salaries, employee benefits, professional and advertising, and other expense of \$296,000, \$62,000, \$67,000, and \$73,000, respectively. Salaries increased due to an increase of approximately six full-time equivalent employees in 2023 and annual employee merit increases that were effective October 1, 2022. Benefits increased due to the increase in the number of full-time equivalent employees. Professional and advertising and other expense increased due to increased investments in technology systems and related professional services.

### **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](http://www.BankofOakRidge.com) | Extended Interactive Teller Machine 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, 2023 (Unaudited) and December 31, 2022 (Audited)

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and due from banks	\$ 10,218	\$ 12,467
Interest-bearing deposits with banks	<u>22,710</u>	<u>37,889</u>
Total cash and cash equivalents	32,928	50,356
Securities available-for-sale	78,029	80,939
Securities held-to-maturity	11,154	11,161
Restricted stock, at cost	2,308	2,626
Loans, net of allowance for loan losses of \$4,779 and \$4,851 at March 31, 2023, and December 31, 2022, respectively	440,848	421,444
Property and equipment, net	9,032	9,192
Accrued interest receivable	2,278	1,996
Bank owned life insurance	6,115	6,095
Right-of-use assets – operating leases	2,672	1,183
Other assets	<u>5,499</u>	<u>4,289</u>
Total assets	<u>\$ 590,863</u>	<u>\$ 589,281</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 114,420	\$ 120,263
Interest-bearing	<u>371,764</u>	<u>360,722</u>
Total deposits	486,184	480,985
Short-term FHLB Advances	22,000	30,000
Long-term borrowings	352	418
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,913	9,903
Lease liabilities – operating leases	2,672	1,183
Accrued interest payable	517	226
Other liabilities	<u>6,480</u>	<u>5,675</u>
Total liabilities	<u>536,366</u>	<u>536,638</u>
<b>Stockholders' equity</b>		
Common stock, no par value; 50,000,000 shares authorized; 2,702,370 and 2,672,620 issued and outstanding at March 31, 2023, and December 31, 2022, respectively	26,339	26,207
Retained earnings	29,725	28,642
Accumulated other comprehensive income	<u>(1,567)</u>	<u>(2,206)</u>
Total stockholders' equity	<u>54,497</u>	<u>52,643</u>
Total liabilities and stockholders' equity	<u>\$ 590,863</u>	<u>\$ 589,281</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Income (Unaudited)**  
**For the three months ended March 31, 2023 and 2022**  
**(Dollars in thousands)**

	<u>2023</u>	<u>2022</u>
<b>Interest and dividend income</b>		
Loans and fees on loans	\$ 5,916	\$ 5,489
Interest on deposits in banks	241	27
Restricted stock dividends	57	18
Interest on investment securities	<u>839</u>	<u>356</u>
Total interest and dividend income	<u>7,053</u>	<u>5,890</u>
<b>Interest expense</b>		
Deposits	1,023	257
Short-term and long-term debt	<u>670</u>	<u>211</u>
Total interest expense	<u>1,693</u>	<u>468</u>
Net interest income	5,360	5,422
<b>Provision for (recovery of) loan losses</b>		
Net interest income after provision for loan losses	<u>175</u>	<u>88</u>
	<u>5,185</u>	<u>5,334</u>
<b>Noninterest income</b>		
Service charges on deposit accounts	147	136
Brokerage commissions on mortgage loans	22	73
Insurance commissions	97	114
Gain on sale of investment securities	77	-
Gain on sale of Small Business Administration loans	232	30
Debit and credit card interchange income	292	277
Income from Small Business Investment Company	-	69
Income earned on bank owned life insurance	19	20
Other service charges and fees	<u>166</u>	<u>60</u>
Total noninterest income	<u>1,052</u>	<u>779</u>
<b>Noninterest expense</b>		
Salaries	2,312	2,016
Employee benefits	309	247
Occupancy	308	295
Equipment	211	252
Data and item processing	470	446
Professional and advertising	357	290
Stationary and supplies	34	27
Telecommunications	126	108
FDIC assessment	74	54
Other expense	<u>390</u>	<u>302</u>
Total noninterest expense	<u>4,591</u>	<u>4,037</u>
Income before income taxes	1,646	2,076
<b>Income tax expense</b>	<u>365</u>	<u>414</u>
Net income and income available to common stockholders	<u>\$ 1,281</u>	<u>\$ 1,662</u>
<b>Basic income per common share</b>	<u>\$ 0.47</u>	<u>\$ 0.62</u>
<b>Diluted income per common share</b>	<u>\$ 0.47</u>	<u>\$ 0.62</u>
<b>Basic weighted average shares outstanding</b>	<u>2,713,959</u>	<u>2,682,982</u>
<b>Diluted weighted average shares outstanding</b>	<u>2,713,959</u>	<u>2,682,982</u>

Selected Financial Data	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Return on average common stockholders' equity <sup>1</sup>	9.62 %	12.98 %	12.35 %	13.52 %	13.07 %	15.70 %
Tangible book value per share	\$ 19.94	\$ 19.48	\$ 18.67	\$ 18.77	\$ 18.63	\$ 19.20
Return on average assets <sup>1</sup>	0.88 %	1.18 %	1.08 %	1.11 %	1.14 %	1.36 %
Net interest margin <sup>1</sup>	3.91 %	4.02 %	4.10 %	3.66 %	4.07 %	3.65 %
Efficiency ratio	71.60 %	69.64 %	66.76 %	68.93 %	65.10 %	69.73 %
Nonperforming assets to total assets	0.04 %	0.13 %	0.15 %	0.14 %	0.16 %	0.51 %

<sup>1</sup>Annualized