

For Immediate Release

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Oak Ridge Financial Services, Inc. Announces Fourth Quarter and Full Year 2023 Results and Quarterly Cash Dividend of \$0.10 per share.

OAK RIDGE, N.C., February 2, 2024 (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 2023, and a quarterly cash dividend of \$0.10 per share.

Fourth Quarter and Full Year 2023 Highlights

- Earnings per share of \$2.10 for 2023, down \$0.37, or 15.0%, from 2022; earnings per share of \$0.54 for the three months ended December 31, 2023, down nine cents, or 14.3%, from the same period in 2022.
- Return on average common stockholders' equity of 10.39% for 2023, compared to 12.95% for 2022; return on average common stockholders' equity of 10.44% for the three months ended December 31, 2023, compared to 12.98% in 2022.
- Provision for credit losses for the year ended December 31, 2023, of \$605,000 compared to recovery of credit losses of \$41,000 in 2022; provision for credit losses for the three months ended December 31, 2023, of \$357,000 compared to recovery of credit losses of \$182,000 in 2022.
- Tangible book value per common share of \$21.35, up 9.32%, or \$1.85, from \$19.48 at December 31, 2022.
- Total loans of \$465.1 million at December 31, 2023, up 9.4% from \$425.1 million at December 31, 2022.
- Available-for-sale (at fair value) and held-to-maturity (at cost) securities of \$110.6 million at December 31, 2023, up 20.0% from \$92.1 million at December 31, 2022.
- Deposits of \$493.1 million at December 31, 2023, up 2.5% from December 31, 2022. Period end noninterest-bearing deposits of \$99.7 million, down 17.1% from December 31, 2022. Period end interest-bearing deposits of \$393.4 million, up 9.0% from December 31, 2022.
 - Estimated uninsured deposits were \$81.8 million or 16.3% of total deposits at December 31, 2023.
- Nonperforming assets of \$461,000 at December 31, 2023, down 37.6% from \$739,000 at December 31, 2022.
- Ranked #4 in 2023 Small Business Administration (SBA) 7(a) loan production in North Carolina.
- Recognized as one of American Banker's Top 200 Publicly Traded Banks Under \$2 Billion in Assets in the U.S. for the seventh consecutive year. The rankings were based on three-year return on average equity (ROAE) for 2020 to 2022.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "While 2023 earnings and return measures were lower than 2022, I am extremely pleased with our performance given the macroeconomic challenges the banking industry faced in 2023. We realized late in 2022 that all banks were going to face significant challenges due to higher interest rates, changing customer deposit preferences and a difficult macroeconomic environment. In late 2022 we repositioned our securities portfolio to provide higher earnings in a rising rate environment. In early 2023 we began aggressive deposit retention and growth efforts that continued throughout the year. In the second quarter of 2023 we combined a \$25 million securities purchase financed with borrowings with an interest rate swap to hedge our sensitivity position. Then, as we progressed through 2023, we began retaining most SBA loan production which historically we had sold. These initiatives in late 2022 and throughout 2023 allowed us to maintain satisfactory liquidity and strong asset quality, while producing earnings and improving our sensitivity to interest rates. Asset quality was strong at the end of 2023, our net interest margin was strong throughout the year, and we had almost double-digit loan growth with funding provided by a combination of deposits and borrowings. Capital and liquidity levels remain strong. Oak Ridge remains focused on its full client relationships including long-term core deposit and lending solutions and other products and services that meet our customers' financial objectives. We are incredibly proud of our entire team and appreciate their efforts in serving our clients and managing the Bank in a safe and sound manner."

A quarterly cash dividend of \$0.10 per share of common stock is payable on March 4, 2024, to stockholders of record as of the close of business on February 16, 2024. "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."

At December 31, 2023, the Bank's Community Bank Leverage Ratio was 11.2%, down slightly from 11.4% at December 31, 2022. Stockholders' equity at December 31, 2023, was \$58.3 million, up 10.8% from \$52.6 million at December 31, 2022. Net income of \$5.7 million was the principal factor for the net increase in stockholders' equity.

For the year ended December 31, 2023, net interest income was \$22.1 million, compared to \$21.7 million in 2022. For the year ended December 31, 2023, the annualized net interest margin was 3.86% compared to 3.96% in 2022, a decrease of 10 basis points. For the three months ended December 31, 2023, and 2022, net interest income was \$5.7 million and \$5.4 million, respectively. For the three months ended December 31, 2023, the annualized net interest margin was 3.80% compared to 4.02% in 2022, a decrease of 22 basis points.

For the year ended December 31, 2023, the Company recorded a provision for credit losses of \$605,000, compared to a recovery of provision for credit losses of \$41,000 in 2022. For the three months ended December 31, 2023, the Company recorded a provision for credit losses of \$357,000, compared to a recovery of provision for credit losses of \$182,000 in 2022. The allowance for credit losses as a percentage of total loans was 1.06% at December 31, 2023, compared to 1.15% at December 31, 2022. The decrease in the allowance for credit losses in 2023 was partly the result of the Company decreasing the qualitative factors in its allowance for credit loss model during 2023. Nonperforming assets represented 0.07% of total assets at December 31, 2023, compared to 0.13% at December 31, 2022.

Noninterest income totaled \$3.9 million for the year ended December 31, 2023, compared to \$4.1 million in 2022. There were increases and decreases in components of noninterest income from 2022 to 2023, with the following categories significantly contributing to the overall net decrease: gains on sale(s) of investment securities were \$77,000 in 2023 compared to losses on sale(s) of investment securities of \$131,000 in 2022; brokerage commissions on mortgage loans were \$43,000 for the year ended December 31, 2023, compared to \$200,000 in 2022; and gain on sale(s) of SBA loans were \$475,000 for the year ended December 31, 2023, compared to \$1.1 million in 2022. Additionally, the Company retained most of its 2023 originations of SBA loans for balance sheet management purposes in 2023, while selling the guaranteed portion for most SBA loans originated in 2022. Finally, income from Small Business Investment Company investments were \$394,000 for the year ended December 31, 2023, compared to \$179,000 in 2022. Noninterest income totaled \$918,000 for the three months ended December 31, 2023, compared to \$1.0 million in 2022. There were increases and decreases in components of noninterest income from the fourth quarter of 2022 to the comparable quarter of 2023, with the following categories significantly contributing to the overall net decrease: there were no gains or losses on sale(s) of investment securities in the fourth quarter of 2023 and were losses on sale(s) of investment securities of \$131,000 in the fourth quarter of 2022; and there were no gains on sale(s) of SBA loans during the fourth quarter of 2023, compared to \$356,000 in the fourth quarter of 2022. Additionally, the Company retained all its fourth quarter 2023 originations of SBA loans for balance sheet management purposes in 2023, while selling the guaranteed portion for most loans originated in the fourth quarter of 2022. Finally, income from Small Business Investment Company was \$209,000 for the fourth quarter of 2023, compared to \$10,000 in fourth quarter of 2022.

Noninterest expense totaled \$18.0 million for the year ended December 31, 2023, compared to \$17.4 million in 2022. There were increases and decreases in components of noninterest expense from 2022 to 2023, with the following categories significantly contributing to the overall net decrease: data and items processing expenses were \$2.0 million for the year ended December 31, 2023, compared to \$1.7 million in 2022; and professional and advertising expenses were \$1.4 million for the year ended December 31, 2023, compared to \$1.1 million in 2022. The increase in both data and items processing and professional and advertising expenses were related to greater regulatory and audit requirements due to the recent increase in the Bank's asset size over \$500 million, as well as additional technology expenses related to investments in both client facing and internal systems, as well as information security systems.

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, and 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

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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 the 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 the words "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, 2023 (Unaudited) and December 31, 2022 (Audited)

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and due from banks	\$ 7,792	\$ 12,467
Interest-bearing deposits with banks	12,633	37,889
Total cash and cash equivalents	20,425	50,356
Securities available-for-sale	91,849	80,939
Securities held-to-maturity	18,706	11,161
Restricted stock, at cost	2,404	2,626
Loans, net of allowance for credit losses on loans of \$4,920 and \$4,851 at December 31, 2023, and December 31, 2022, respectively	460,211	421,444
Property and equipment, net	8,366	9,192
Accrued interest receivable	2,580	1,996
Bank owned life insurance	6,178	6,095
Right-of-use assets – operating leases	2,466	1,183
Other assets	6,209	4,289
Total assets	<u>\$ 619,394</u>	<u>\$ 589,281</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	\$ 99,702	\$ 120,263
Interest-bearing	393,442	360,722
Total deposits	493,144	480,985
Short-term FHLB advances and Federal Reserve Term Funding Program borrowings	40,000	30,000
Long-term borrowings	-	418
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,943	9,903
Lease liabilities – operating leases	2,466	1,183
Accrued interest payable	1,154	226
Other liabilities	6,092	5,675
Total liabilities	<u>561,047</u>	<u>536,638</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,732,720 and 2,702,020 issued and outstanding at December 31, 2023, and December 31, 2022, respectively	26,736	26,207
Retained earnings	33,364	28,642
Accumulated other comprehensive income (loss):		
Net unrealized loss on debt securities, net of tax	(1,580)	(2,206)
Net unrealized loss on hedging derivative instruments, net of tax	(173)	-
Total accumulated other comprehensive income (loss)	<u>(1,753)</u>	<u>(2,206)</u>
Total stockholders' equity	<u>58,347</u>	<u>52,643</u>
Total liabilities and stockholders' equity	<u>\$ 619,394</u>	<u>\$ 589,281</u>

Oak Ridge Financial Services, Inc.

Consolidated Statements of Income (Unaudited)

For the three and year ended December 31, 2023 and 2022

(Dollars in thousands)

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Interest and dividend income				
Loans and fees on loans	\$ 6,999	\$ 5,488	\$ 25,150	\$ 21,223
Interest on deposits in banks	240	144	903	514
Restricted stock dividends	45	9	186	66
Interest on investment securities	1,493	780	5,214	2,234
Total interest and dividend income	<u>8,777</u>	<u>6,421</u>	<u>31,453</u>	<u>24,037</u>
Interest expense				
Deposits	2,168	554	6,242	1,269
Short-term and long-term debt	925	418	3,154	1,114
Total interest expense	<u>3,093</u>	<u>972</u>	<u>9,396</u>	<u>2,383</u>
Net interest income	5,684	5,449	22,057	21,654
Provision for (recovery of) credit losses				
Net interest income after provision for credit losses	<u>5,327</u>	<u>5,631</u>	<u>21,452</u>	<u>21,695</u>
Noninterest income				
Service charges on deposit accounts	169	153	628	591
Gain (loss) on sale of investment securities	-	(131)	77	(131)
Brokerage commissions on mortgage loans	-	18	43	200
Insurance commissions	121	113	461	463
Gain on sale of Small Business Administration loans	-	356	475	1,074
Debit and credit card interchange income	301	272	1,225	1,163
Income from Small Business Investment Company	209	10	394	179
Income earned on bank owned life insurance	23	21	82	81
Other service charges, fees, and income	95	191	524	450
Total noninterest income	<u>918</u>	<u>1,003</u>	<u>3,909</u>	<u>4,070</u>
Noninterest expense				
Salaries	2,112	2,296	8,777	8,870
Employee benefits	270	301	1,177	1,118
Occupancy	273	283	1,092	1,111
Equipment	214	229	873	962
Data and item processing	494	463	1,959	1,728
Professional and advertising	295	267	1,377	1,104
Stationery and supplies	36	26	130	106
Impairment loss on securities	-	9	-	22
Telecommunications	48	114	438	438
FDIC assessment	110	74	418	291
Other expense	524	431	1,731	1,647
Total noninterest expense	<u>4,376</u>	<u>4,493</u>	<u>17,972</u>	<u>17,397</u>
Income before income taxes	1,869	2,141	7,389	8,368
Income tax expense				
	<u>392</u>	<u>449</u>	<u>1,647</u>	<u>1,706</u>
Net income and income available to common stockholders	<u>\$ 1,477</u>	<u>\$ 1,692</u>	<u>\$ 5,741</u>	<u>\$ 6,662</u>
Basic and diluted income per common share	<u>\$ 0.54</u>	<u>\$ 0.63</u>	<u>\$ 2.10</u>	<u>\$ 2.47</u>
Basic and diluted weighted average shares outstanding	<u>2,732,720</u>	<u>2,702,058</u>	<u>2,728,094</u>	<u>2,697,538</u>

Selected Financial Data	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Return on average common stockholders' equity ¹	10.44 %	10.63 %	10.84 %	9.62 %	12.69 %	12.35 %
Tangible book value per share	\$ 21.35	\$ 20.26	\$ 20.14	\$ 19.94	\$ 19.48	\$ 18.67
Return on average assets ¹	0.95 %	0.98 %	1.02 %	0.88 %	1.18 %	1.08 %
Net interest margin ¹	3.80 %	3.84 %	3.89 %	3.91 %	4.02 %	4.10 %
Efficiency ratio	66.27 %	68.72 %	70.39 %	71.60 %	69.64 %	66.76 %
Nonperforming assets to total assets	0.07 %	0.08 %	0.10 %	0.11 %	0.13 %	0.15 %

¹Annualized