



**For Immediate Release**

Contact: Skylar Mearing, Marketing Director  
Phone: 336.662.4840

**Oak Ridge Financial Services, Inc. Announces Second Quarter 2023 Results and Quarterly Cash Dividend of \$0.10 Per Share**

OAK RIDGE, N.C., July 31, 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 second quarter of 2023 and a quarterly cash dividend of \$0.10 per common share.

**Second Quarter 2023 Performance and Accomplishments**

- **Earnings per share** of \$0.54, compared to \$0.47 in the linked quarter and \$0.63 for the second quarter of 2022.
- **Return on equity** of 10.84%, compared to 9.62% in the linked quarter and 13.52% for the second quarter of 2022.
- **Dividends declared per common share** of \$0.10, unchanged from the linked quarter and up from \$0.08 for the second quarter of 2022.
- **Tangible book value per common share** of \$20.14 as of period end, compared to \$19.94 at the end of the linked quarter and \$18.77 at the end of the second quarter of 2022.
- **Net interest margin** of 3.89%, compared to 3.91% in the linked quarter and 3.66% for the second quarter of 2022.
- **Efficiency ratio** of 70.39%, compared to 71.60% in the linked quarter and 68.93% for the second quarter of 2022.
- **American Banker's Top 200 Publicly Traded Banks Under \$2 Billion in Assets for 2022** for the **eighth consecutive** year.
- **#4 out of 106** Small Business Administration ("SBA") 7a lenders in SBA's North Carolina District office of total year-to-date loan approvals through July 21, 2023.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, "Oak Ridge's operating performance in the second quarter was solid considering the current economic conditions and the liquidity concerns in the banking industry. Despite the continued increase in market interest rates and concern over bank failures, asset quality was strong at the end of the quarter, our net interest margin was strong during the quarter, and our loans increased and deposits decreased just slightly from year end. 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 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 September 1, 2023, to stockholders of record as of the close of business on August 18, 2023, which represents the 19<sup>th</sup> consecutive quarterly dividend paid by the Company. "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."

**Review of Balance Sheet at June 30, 2023, as compared to December 31, 2022**

- Total assets increased \$24.2 million, or 4.1%, to \$613.5 million, from \$589.3 million.
- Cash and cash equivalents decreased \$16.0 million, or 31.9%, to \$34.3 million, from \$50.4 million.
- Securities available-for-sale increased \$14.3 million, or 17.6%, to \$95.2 million, from \$80.9 million. Purchases of securities available-for-sale in 2023 of \$40.1 million partially offset by sales, maturities, and repayments of \$25.8 million accounted for the increase.
- Securities held-to-maturity increased \$7.4 million, or 66.3%, to \$18.6 million due to reclassifications of subordinated debenture investments in other banks and bank holding companies from loans receivable to held-to-maturity securities. The reclassifications were \$10.9 million and \$7.4 million in December of 2022 and June of 2023, respectively. The lowest, largest, and average balance of each subordinated debenture investment in one

bank or bank holding company as of June 30, 2023, was \$331,000, \$1.5 million, and \$909,000, respectively. The book average life of the subordinated debenture portfolio was 3.28 years as of June 30, 2023.

- Total net loans increased \$20.4 million, or 3.8%, to \$437.3 million, from \$421.4 million.
  - The allowance for loan losses as a percentage of total loans was 1.06% and 1.14% on June 30, 2023, and December 31, 2022, respectively.
  - Nonperforming assets represented 0.10% of total assets on June 30, 2023, compared to 0.13% on December 31, 2022.
  - 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.
- Total deposits decreased \$4.0 million, or 0.8%, to \$486.2 million, from \$481.0 million. The ratio of estimated uninsured deposits to total deposits for the Bank was 18.5% at June 30, 2023, compared to 22.1% at December 31, 2022.
- Total borrowings from Federal Home Loan Bank of Atlanta advances and under the Federal Reserve Term Funding Program increased \$24 million, or 80.0%, to \$54 million, from \$30 million.
- Stockholders' equity increased \$2.4 million, or 4.6%, to \$55.0 million, from \$52.6 million. Accumulated other comprehensive loss was \$2.4 million, or 4.2% of total stockholders' equity as of June 30, 2023. The Bank's Community Bank Leverage Ratio ("CBLR") was 11.50% at June 30, 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.

#### **Review of Income Statement for the three months ended June 30, 2023, as compared same period ending June 30, 2022**

- Net interest income increased \$192,000 to \$5.4 million in the second quarter of 2023 compared to the year-ago quarter. The net interest margin increased 23 basis points to 3.89% for the second quarter of 2023 compared to the year-ago quarter.
  - On June 12 and 22, 2023, the Bank entered into two interest rate swap agreements totaling approximately \$25.0 million to hedge balance sheet interest rate sensitivity and protect selected securities in its available-for-sale portfolio against changes in fair value related to changes in the benchmark interest rate.
- The Company had a recovery of credit losses of \$63,000 in the second quarter of 2023 compared to a provision for credit losses of \$175,000 in the year-ago quarter. 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.
- Noninterest income decreased \$409,000 to \$891,000 in the second quarter 2023 compared with the year-ago quarter. Significant contributors to the overall net decrease were:
  - Decrease of \$389,000 in gain on sale of SBA loans. On most 2023 originations the Company is retaining the guaranteed portion of the loan whereas in 2022 the Company sold substantially all guaranteed portions of the loans.
  - Decreases of \$49,000 in brokerage commissions on mortgage loans and income from Small Business Investment Corporation.
  - Increase of \$91,000 in other service charges and fees due to increase in fee income from managing deposits sold through the Intrafi deposit network.
- Noninterest expense decreased \$58,000, or 1.3%, to \$4.4 million in the second quarter of 2023 compared with the year-ago quarter.

### **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

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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 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 June 30, 2023 (Unaudited) and December 31, 2022 (Audited)

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and due from banks	\$ 9,085	\$ 12,467
Interest-bearing deposits with banks	<u>25,218</u>	<u>37,889</u>
Total cash and cash equivalents	34,303	50,356
Securities available-for-sale	95,213	80,939
Securities held-to-maturity, fair values of \$16,364 and \$10,350 at June 30, 2023 and December 31, 2022, respectively	18,566	11,161
Restricted stock, at cost	2,737	2,626
Loans, net of allowance for credit losses of \$4,779 and \$4,851 at June 30, 2023, and December 31, 2022, respectively	437,259	421,444
Property and equipment, net	8,756	9,192
Accrued interest receivable	2,125	1,996
Bank owned life insurance	6,134	6,095
Right-of-use assets – operating leases	2,610	1,183
Other assets	<u>5,798</u>	<u>4,289</u>
Total assets	<u>\$ 613,501</u>	<u>\$ 589,281</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 110,637	\$ 120,263
Interest-bearing	<u>366,301</u>	<u>360,722</u>
Total deposits	476,938	480,985
Short-term FHLB Advances	32,000	30,000
Federal Reserve bank term funding program	22,000	-
Other short-term borrowings	286	418
Junior subordinated notes – trust preferred securities	8,248	8,248
Subordinated debentures	9,923	9,903
Lease liabilities – operating leases	2,610	1,183
Accrued interest payable	548	226
Other liabilities	<u>5,902</u>	<u>5,675</u>
Total liabilities	<u>558,455</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 June 30, 2023, and December 31, 2022, respectively	26,471	26,207
Retained earnings	30,939	28,642
Accumulated other comprehensive loss	<u>(2,364)</u>	<u>(2,206)</u>
Total stockholders' equity	<u>55,046</u>	<u>52,643</u>
Total liabilities and stockholders' equity	<u>\$ 613,501</u>	<u>\$ 589,281</u>

**Oak Ridge Financial Services, Inc.**  
**Consolidated Statements of Income (Unaudited)**  
**For the three months ended June 30, 2023, and 2022**  
**(Dollars in thousands)**

	Three months ended			Six months ended June 30,	
	June 30, 2023	March 31, 2023	June 30, 2022	2023	2022
<b>Interest and dividend income</b>					
Loans and fees on loans	\$ 5,780	\$ 5,916	\$ 5,051	\$ 11,696	\$ 10,539
Interest on deposits in banks	216	241	171	457	199
Restricted stock dividends	41	57	18	98	36
Interest on investment securities	1,368	839	408	2,206	764
Total interest and dividend income	<u>7,405</u>	<u>7,053</u>	<u>5,648</u>	<u>14,457</u>	<u>11,538</u>
<b>Interest expense</b>					
Deposits	1,374	1,023	237	2,396	494
Short-term and long-term debt	645	670	217	1,315	428
Total interest expense	<u>2,019</u>	<u>1,693</u>	<u>454</u>	<u>3,711</u>	<u>922</u>
Net interest income	5,386	5,360	5,194	10,746	10,616
<b>Provision for (recovery of) credit losses</b>	<u>(63)</u>	<u>175</u>	<u>(107)</u>	<u>111</u>	<u>(19)</u>
Net interest income after provision for loan losses	5,449	5,185	5,301	10,635	10,635
<b>Noninterest income</b>					
Service charges on deposit accounts	149	147	150	297	287
Brokerage commissions on mortgage loans	12	22	61	34	133
Insurance commissions	109	97	112	206	226
Gain on sale of investment securities	-	77	-	77	-
Gain on sale of Small Business Administration loans	96	232	485	328	514
Debit and credit card interchange income	299	292	308	591	585
Income from Small Business Investment Company	51	-	100	51	170
Income earned on bank owned life insurance	20	19	20	39	40
Other service charges and fees	155	166	64	320	124
Total noninterest income	<u>891</u>	<u>1,052</u>	<u>1,300</u>	<u>1,943</u>	<u>2,079</u>
<b>Noninterest expense</b>					
Salaries	2,180	2,312	2,340	4,492	4,356
Employee benefits	264	309	304	573	551
Occupancy	261	308	251	569	547
Equipment	239	211	243	450	496
Data and item processing	468	470	408	938	854
Professional and advertising	345	357	294	702	584
Stationery and supplies	34	34	34	68	60
Telecommunications	129	126	104	255	211
FDIC assessment	132	74	53	206	107
Other expense	366	390	445	757	747
Total noninterest expense	<u>4,418</u>	<u>4,591</u>	<u>4,476</u>	<u>9,010</u>	<u>8,513</u>
Income before income taxes	1,922	1,646	2,125	3,568	4,201
<b>Income tax expense</b>	<u>434</u>	<u>365</u>	<u>422</u>	<u>799</u>	<u>836</u>
<b>Net income and income available to common stockholders</b>	<u>\$ 1,488</u>	<u>\$ 1,281</u>	<u>\$ 1,703</u>	<u>\$ 2,769</u>	<u>\$ 3,365</u>
<b>Basic and diluted income per common share</b>	<u>\$ 0.54</u>	<u>\$ 0.47</u>	<u>\$ 0.63</u>	<u>\$ 1.02</u>	<u>\$ 1.25</u>
<b>Basic and diluted weighted average shares outstanding</b>	<u>2,732,720</u>	<u>2,713,959</u>	<u>2,702,370</u>	<u>2,723,391</u>	<u>2,692,794</u>

Selected Financial Data	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Return on average common stockholders' equity <sup>1</sup>	10.84 %	9.62 %	12.98 %	12.35 %	13.52 %	13.07 %
Tangible book value per share	\$ 20.14	\$ 19.94	\$ 19.48	\$ 18.67	\$ 18.77	\$ 18.63
Return on average assets <sup>1</sup>	1.02 %	0.88 %	1.18 %	1.08 %	1.11 %	1.14 %
Net interest margin <sup>1</sup>	3.89 %	3.91 %	4.02 %	4.10 %	3.66 %	4.07 %
Efficiency ratio	70.39 %	71.60 %	69.64 %	66.76 %	68.93 %	65.10 %
Nonperforming assets to total assets	0.10 %	0.11 %	0.13 %	0.15 %	0.14 %	0.16 %

<sup>1</sup>Annualized