



FOR IMMEDIATE RELEASE

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Oak Ridge Financial Services, Inc. Announces Second Quarter 2021 Results

OAK RIDGE, N.C., July 26, 2021 (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 three and six months ended June 30, 2021.

Second Quarter 2021 Highlights

- Basic and diluted earnings per share of \$0.65 for the three months ended June 30, 2021, up 20 cents, or 44.4%, from the comparable 2020 period;
- Annualized return on average common stockholders’ equity of 14.71% for the three months ended June 30, 2021, compared to 11.61% for the same period in 2020;
- Tangible book value per common share of \$17.93 as of June 30, 2021, up 13.3%, or \$2.02, from \$15.98 as of June 30, 2020;
- Through June 30, 2021, forgave and recognized remaining unamortized fees and associated costs of approximately 68% on the \$50.1 million of first round of Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans;
- Through the six months ending June 30, 2021, the Bank funded 418 Round 2 PPP loans totaling \$28.4 million, the associated fees and origination costs will be recognized as interest income and expense, respectively, over the life of the PPP loans;
- Period end loans of \$447.3 million, down 0.73% (1.46% annualized), or \$3.3 million from \$450.6 million as of December 31, 2020;
- Period end allowance for loan losses of \$4.5 million, down 16.8%, from \$5.5 million on December 31, 2020;
- Nonperforming assets of \$3.1 million, down 9.2% from \$3.5 million on December 31, 2020;
- Period end deposits of \$495.2 million, up 8.7%, or \$39.5 million from \$455.7 million as of December 31, 2020.
- Through the six months ending June 30, 2021, the Bank has retired \$8 million in short term borrowings and \$5.6 million in subordinated debentures.
- Named to American Banker magazine’s Top 200 Publicly Traded Community Banks and Thrifts. The ranking is based on a company’s three-year average return on average equity (ROAE) through December 31, 2020. This is the fifth consecutive year the Company has been named to the prestigious list.

Tom Wayne, Chief Executive Officer and Chief Financial Officer, reported, “I am extremely pleased with our strong performance in the second quarter of 2021, and very proud of our Bank’s support of the local community through our continued participation in the PPP program in 2021. I am thankful to have our experienced team of bankers and a supportive board of directors as we address future challenges and opportunities.”

A quarterly cash dividend of \$0.07 per share of common stock is payable on September 3, 2021 to stockholders of record as of the close of business on August 20, 2021. “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 adopted the 9% community bank leverage ratio (“CBLR”) requirement as of June 30, 2020. As of June 30, 2021, the Bank’s CBLR was 9.53%, up from 9.37% on December 31, 2020. As of June 30,

2021, the Company's stockholders' equity was \$47.9 million, up 7.7%, from \$44.5 million on December 31, 2020.

With respect to the consolidated statement of operations for the three months ended June 30, 2021, net interest income was \$5.1 million, compared to \$4.4 million during the same period in 2020. For the three months ended June 30, 2021, the net interest margin was 3.79% compared to 3.60% for the same period in 2020, an increase of 19 basis points. For the six months ended June 30, 2021, net interest income was \$10.7 million, compared to \$8.4 million during the same period in 2020. The net interest margin was 4.02% for the six months ended June 30, 2021, compared to 3.58% for the same period in 2020, an increase of 44 basis points.

The Company recorded no provision for loan losses for the three months ended June 30, 2021, compared to a provision of \$489,000 for the same period in 2020. For the six months ended June 30, 2021, the Company recorded a negative provision of \$112,000 compared with a provision of \$1.6 million for the same period in 2020. The allowance for loan losses as a percentage of total loans was 1.02% on June 30, 2021, compared to 1.21% on December 31, 2020. The allowance for loan losses as a percentage of total loans not including PPP loans was 1.13% on June 30, 2021, compared to 1.35% 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 overall economic outlook and specifically related to the economic effects COVID-19. Nonperforming assets represented 0.55% of total assets on June 30, 2021, compared to 0.64% on December 31, 2020.

Noninterest income totaled \$659,000 for the three months ended June 30, 2021, compared with \$946,000 for the same period in 2020, a decrease of \$287,000 or 30.3%. The biggest contributor to the decrease was a gain on sale of SBA loans (not PPP loans) of \$261,000 in the second quarter of 2020 and no such gains in the comparable period in 2021. Noninterest income totaled \$1.3 million for the six months ended June 30, 2021, compared with \$1.6 million for the same period in 2020, a decrease of \$290,000 or 17.9%. The biggest contributor to the decrease was the above-mentioned sale of SBA loans in the comparable period in 2020.

Noninterest expense totaled \$3.6 million in the three months ended June 30, 2021, an increase of \$263,000, or 7.8%, from the same period in 2020. The increase was driven by higher employee salaries which increased by \$296,000 compared to the prior period. Annual merit increases effective January 1, 2021, higher 2021 incentive payments, and higher 2020 deferred loan origination expense contributed to the increase in salaries. Noninterest expense totaled \$7.4 million in the six months ended June 30, 2021, an increase of \$672,000, or 10.0%, from 2020. The increase was driven by higher employee salaries which increased by \$602,000 compared to the prior period. Annual merit increases effective January 1, 2021, higher 2021 incentive payments, and higher 2020 deferred loan origination expense contributed to the salary increase.

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 June 30, 2021 (Unaudited) and December 31, 2020 (Audited)

	2021	2020
Assets		
Cash and due from banks	\$ 11,047	\$ 9,354
Interest-bearing deposits with banks	41,168	11,994
Total cash and cash equivalents	52,215	21,348
Securities available-for-sale	46,852	46,357
Securities held-to-maturity	480	564
Restricted stock, at cost	1,313	1,806
Loans, net of allowance for loan losses of \$4,544 at period end 2021 and \$5,458 at year end 2020	442,764	445,127
Property and equipment, net	10,367	10,632
Accrued interest receivable	2,061	2,412
Bank owned life insurance	5,972	5,930
Right-of-use assets – operating leases	1,795	1,990
Other assets	5,519	4,464
Total assets	<u>\$ 569,338</u>	<u>\$ 540,630</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 114,061	\$ 94,227
Interest-bearing	381,165	361,510
Total deposits	495,226	455,737
Short-term borrowings	-	8,000
Long-term borrowings	816	952
Junior subordinated notes related to trust preferred securities	8,248	8,248
Subordinated debentures	9,843	15,484
Lease liabilities – operating leases	1,795	1,990
Accrued interest payable	121	140
Other liabilities	5,380	5,604
Total liabilities	<u>521,429</u>	<u>496,155</u>
Stockholders' equity		
Common stock, no par value; 50,000,000 shares authorized; 2,672,620 issued and outstanding at period end 2021 and 2,639,345 at year end 2020	25,261	25,013
Retained earnings	19,201	15,771
Accumulated other comprehensive income	3,447	3,691
Total stockholders' equity	<u>47,909</u>	<u>44,475</u>
Total liabilities and stockholders' equity	<u>\$ 569,338</u>	<u>\$ 540,630</u>

Oak Ridge Financial Services, Inc.
Consolidated Statements of Income
Six and three months ended June 30, 2021 and 2020 (Unaudited)
(Dollars in thousands except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>Interest and dividend income</i>				
Loans and fees on loans	\$ 5,440	\$ 5,221	\$ 11,316	\$ 10,145
Interest on deposits in banks	7	3	10	68
Restricted stock dividends	20	25	40	41
Taxable investment securities	328	317	684	615
Total interest and dividend income	<u>5,795</u>	<u>5,566</u>	<u>12,050</u>	<u>10,869</u>
<i>Interest expense</i>				
Deposits	342	854	723	1,914
Short-term and long-term debt	330	265	646	538
Total interest expense	<u>672</u>	<u>1,119</u>	<u>1,369</u>	<u>2,452</u>
Net interest income	5,123	4,447	10,681	8,417
<i>Provision for (recovery of) loan losses</i>				
Net interest income after provision for loan losses	<u>5,123</u>	<u>3,958</u>	<u>10,793</u>	<u>6,788</u>
<i>Noninterest income</i>				
Service charges on deposit accounts	120	128	254	309
Brokerage commissions on mortgage loans	55	116	132	198
Insurance commissions	88	88	208	172
Gain on sale of SBA loans	-	261	-	261
Debit and credit card interchange income	293	278	547	521
Income earned on bank owned life insurance	21	23	42	47
Other service charges and fees	82	52	146	111
Total noninterest income	<u>659</u>	<u>946</u>	<u>1,329</u>	<u>1,619</u>
<i>Noninterest expense</i>				
Salaries	1,637	1,341	3,490	2,888
Employee benefits	271	229	565	501
Occupancy	243	217	530	452
Equipment	268	248	545	493
Data and item processing	429	581	875	1,093
Professional and advertising	271	148	428	314
Stationary and supplies	58	19	97	52
Net cost of foreclosed assets	-	-	-	-
Impairment loss on securities	18	22	28	22
Telecommunications	96	104	190	182
FDIC assessment	36	74	94	87
Other expense	322	403	550	636
Total noninterest expense	<u>3,649</u>	<u>3,386</u>	<u>7,392</u>	<u>6,720</u>
Income before income taxes	2,133	1,518	4,730	1,687
<i>Income tax expense</i>				
	<u>413</u>	<u>317</u>	<u>955</u>	<u>314</u>
<i>Net income and income available to common stockholders</i>	<u>\$ 1,720</u>	<u>\$ 1,201</u>	<u>\$ 3,775</u>	<u>\$ 1,373</u>
<i>Basic income per common share</i>	<u>\$ 0.65</u>	<u>\$ 0.45</u>	<u>\$ 1.43</u>	<u>\$ 0.52</u>
<i>Diluted income per common share</i>	<u>\$ 0.65</u>	<u>\$ 0.45</u>	<u>\$ 1.43</u>	<u>\$ 0.52</u>
<i>Basic weighted average shares outstanding</i>	<u>2,643,503</u>	<u>2,644,388</u>	<u>2,648,089</u>	<u>2,639,787</u>
<i>Diluted weighted average shares outstanding</i>	<u>2,643,503</u>	<u>2,652,469</u>	<u>2,648,089</u>	<u>2,648,468</u>

Selected Financial Data	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Return on average common stockholders' equity ¹	14.71 %	18.45 %	9.17 %	8.50 %	11.61 %	1.68 %
Tangible book value per share	\$ 17.93	\$ 17.24	\$ 16.86	\$ 16.36	\$ 15.98	\$ 15.22
Return on average assets ¹	1.20 %	1.49 %	0.73 %	0.64 %	0.92 %	0.14 %
Net interest margin ¹	3.79 %	4.26 %	3.57 %	3.42 %	3.60 %	3.49 %
Net interest income to average assets ¹	3.67 %	4.03 %	3.32 %	3.27 %	3.41 %	3.32 %
Efficiency ratio	62.80 %	59.94 %	67.64 %	68.67 %	62.79 %	71.82 %
Nonperforming assets to total assets	0.55 %	0.62 %	0.64 %	0.64 %	0.65 %	0.78 %

¹Annualized