

# 2016 ANNUAL REPORT

MADE FRESH

IMPROVEMENT. PROGRESS . GROWTH.

DAILY



Delivering value. For life.

# OUR TEAM

Aeillo, Emily	Dyson, Eric	Listerman, Cary	Reay-Hutula, Chloe
Ankely, Matt	Erickson, Teresa	Loper, Denise	Reffey, Kelsey
Austin, Anna	Fink, Tracy	Lopiccolo, Mike	Rennie, Vanessa
Bemiss, Abby	Gates, Nikki	Lowman, Matt	Rice, Gail
Bingham, Jess	Gauthier, Garrett	Marschall, Rob	Ringholz, Stephanie
Boes, Victoria	Good, Jessica	Martin, Molly	Rizzo, Amy
Booze, Melissa	Grasso, Lisa	Martinez, Gaby	Rock, Char
Born, Nick	Grimmer, Jennifer	McGeary, Michelle	Rodela, Katie
Burnette, Shayla	Hall, Tyler	Medlock, Lisa	Rosentrater, Nancy
Caldwell, Courtney	Hartmann, Jason	Mersino, Blain	Ruiz-Palazzolo, Melissa
Campbell, Rick	Hauck, Heidi	Monear, Erica	Schultze, JoAnne
Campbell, Tina	Heppner, Katie	Moody, Olivia	Shepherd, Irene
Chapman, Matt	Hottmann, Cindy	Morrison, Mark	Sherby, Jeni
Chatas, Amy	Jannott, Mark	Neeson, Joe	Siarkowski, Tracey
Chatas, Mike	Kelly, Mickie	Pearson, Beata	Sigmann, Nancy
Cheaney, Danielle	Ketron, Andrew	Persinger, Jamie	Siple, Mary
Chittenden, Brent	Kinney, Stacy	Pfeiffer, Mack	Smith, Debbie
Clarno, Ashley	Kirkland, Brad	Phelan, Michelle	Sperti, Patrick
Coate, Patti	Knuth, Rachel	Phillips, Jeremy	Stanley, Joe
Cooper, Holly	Kutner, Matthew	Pilara, Kathe	Strangway, Su
Cunningham, Nick	Lamb, Carol	Pizzala, Becca	Tiong, Amanda
Davis, Karen	Lamb, David	Post, Lisa	Wheeler, Heather
DelaPaz, Amy	Land, Suanne	Prevost-Strong, Miranda	Wieczorek, Sarah
DeSamper, Lucia	Lawer, Liz	Proper, Linda	
Devereaux, Patrick	LeBlanc, Carin	Purdon, Mary	
Duval, Audrey	Lewis, Sam	Ray, Pam	
Dysko, Elizabeth	Lile, Dwayne		

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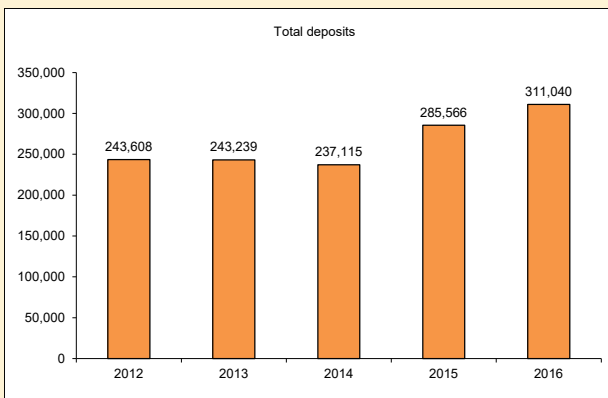
## Board of Directors

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**Glenn Bianchini** Shareholder, Century21® (multi-location) **David P. Lamb** President and Chief Executive Officer  
**Dr. Michael E. Kubinski** Shareholder, North Oakland Dental Group **Karen Mersino, Chair** Business Owner, Mersino®  
 Dewatering, Inc. **Todd Fox** Shareholder, Doeren Mayhew **Richard Thompson** Owner, Industrial Businesses  
**Harvey Solway** Entrepreneur (Not pictured)

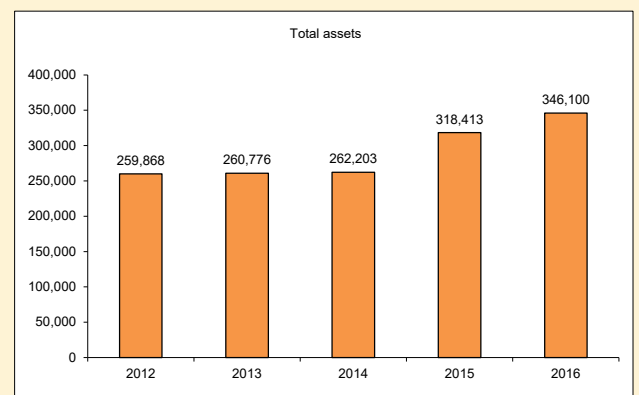
# LETTER TO SHAREHOLDERS

In the 2015 shareholder letter, I wrote that we had turned the corner to focus on growing our business. Today I am very pleased to report we are a long way down the “street” of a growth company. I say that with trepidation because at NBD (where I was trained in credit), we always said, “If it grows like a weed, it probably is a weed.” I can confidently state that we are not a weed. The team achieved that growth because, in addition to their hard work and superior talent, we have taken advantage of a banking industry in turmoil from mergers and struggling with prolonged low interest rates. On paper, Oxford Bank Corporation has no advantages over our competitors . . . except one: we can focus on relationships, rather than being a commodity provider or employer. That means we can recruit superior talent and customers simply because we don’t treat our team, or customers, as a commodity. We don’t compete on price, but on a value proposition.

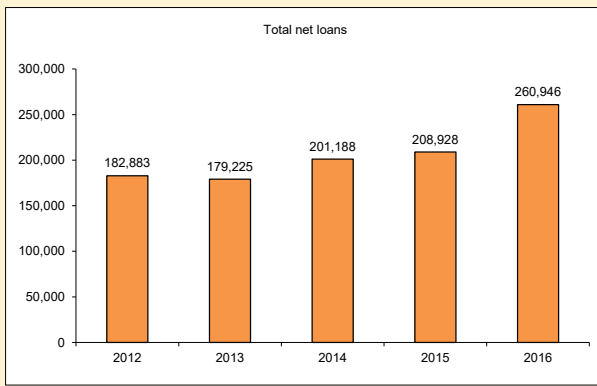


As noted last year, our focus is on relationship banking, which means serving the needs of commercial and industrial clients versus conducting transactional business like investment real estate. We can offer a relationship with our clients because our credit analysis isn’t limited solely to a “box”; it’s based on our leaders’ experience with a huge variety of industries, combined with practical business sense. We also have a well-developed product set, starting with our in-house SBA expertise and emerging cash management capabilities.

Our target market is the relationship-starved sector of companies between \$500,000 and \$30 million in sales, so our value proposition works extremely well. Our belief is that this strategy will yield sustainable growth, not weed cultivation. Our Personal Banking (formerly retail) strategy hasn’t changed; our team continues to make significant progress implementing our brand of personal service combined with convenience, via technology. As shareholders, your Board and Management are pleased with the growth, as it is an important component to our ultimate value. Growth for its own sake is not our goal, but the Corporation ultimately needs to become bigger to produce the returns desired. Our size aspirations are relatively modest in terms of the industry, at approximately \$1 billion in five years. However, that will require a



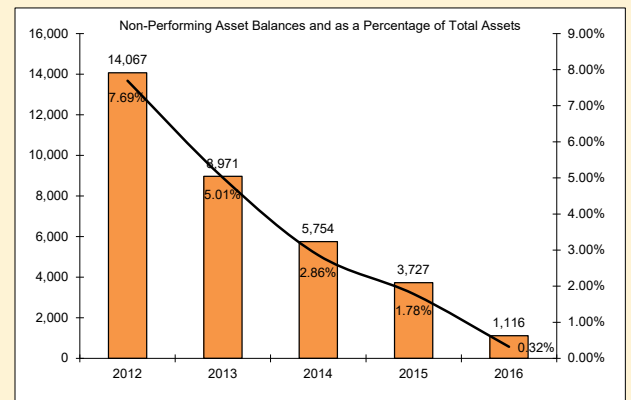




continued high level of organic balance sheet growth. It's a fact that we can reach that level much faster through a merger or acquisition, so that tactic will be part of our considerations in our overriding focus to create value. Another important component to value creation is to increase our rate of return. The Corporation's Net Income grew by 24 percent, although pre-tax EPS ("earnings per weighted average shares") actually declined by eight percent. The EPS decline is due to

weighted average shares increasing substantially at the end of 2015 to finish our capital raise. Even more important is our ROAA of 57 basis points (bps), which is significantly below our peer group of 94 bps. As I noted last year, the rate of return is impacted in the early years of high growth because of the need to build infrastructure in advance. We believe the Corporation should reach an ROAA run rate that's more comparable to our peer group toward the end of 2017 as infrastructure needs begin to diminish. Our expectation for 2018 and beyond is to meet, then exceed, our peers consistently.

I won't spend too much space in this letter about our financial results, other than to note that Net Income increased by 23.9 percent, with biggest revenue gains being interest income up 17 percent and noninterest income up by 73 percent. From a balance sheet perspective, Other Real Estate Owned decreased by 68 percent and Net Loans increased by 25 percent. Total assets increased nine percent because we basically invested part of our excess liquidity into loans. We expect similar growth in 2017, although we will have to substantially increase our deposit base to hit our asset growth targets. In the Segment Discussion, you will see we have initiatives around deposit growth starting with the roll-out of Kasasa®.



Thank you for your continuing commitment as an owner of the Corporation, and please visit me in Oxford when you have an opportunity.



**David P. Lamb**  
*President, Chief Executive Officer*  
*Oxford Bank Corporation*

# STRENGTHENING A BRAND

In 2015, we made the bold choice to rebrand the bank – by changing our colors, our logo, and our culture. With the overarching mission to **Deliver Value**, we were able to start 2016 knowing our cultural transformation had begun.

Journeying into 2016, we knew that the task wasn't over – it was just beginning, with the hardest part just upon the horizon: communicating our brand externally (our customers) and internally (our team members).

Internal and external brand strengthening was the primary focus for your leadership team in 2016, and we started our internal focus by publishing a Culture Book – the “guidelines” for our expectations for working with colleagues, customers, and stakeholders. The core principles of our culture are Accountability, Performance, Engagement, Honesty and Transparency, which are fueled

by our desire to help our customers, team members, and stakeholders have a better life.

We marketed our brand/culture to both our team members and customers simultaneously through relentless communication and team training. It was mostly simple (not easy), by practicing what we preach . . . to deliver value.

To us, delivering value means living our brand of relationship banking highlighted by “true” personal service while constantly increasing convenience via technology. Relationship means the same thing regardless of whether it's

## FACTORS TO SUCCESS

**ACCOUNTABILITY:** WE DON'T MAKE EXCUSES, BUT PROVIDE SOLUTIONS

**PERFORMANCE:** WE CONSTANTLY SEEK TO BE THE BEST, NOT JUST BETTER THAN OTHERS IN OUR INDUSTRY

**ENGAGEMENT:** ACT LIKE OWNERS WITH REGARD TO EVERY DECISION YOU MAKE

**HONESTY:** WE COMMUNICATE CLEARLY AND OFTEN

**TRANSPARENCY:** WE PROACTIVELY SHARE INFORMATION WITH EACH OTHER AND WITH OUR CUSTOMERS

a team member or a customer – expect to help and expect to receive help from your relationship partners.

The most prominent sign of our brand promise was installing Interactive Teller Machines (ITM's) in all of our stores' drive-thrus. This new technology enables our customers to be able to talk to a live teller from “Sunrise to Sunset,” meaning customers now have the convenience of banking when they need to, and not having to rush to get to our branches before the lobby closes.



*ITM ribbon-cutting event at the Clarkston branch*

The second way we lived our brand was by dramatically increasing our presence in the communities in which we live and play. We had little community presence over the past decade due to more pressing matters, so in 2016 we jumped back in with both feet!

In 2016, Oxford Bank – and our employees – were involved in over 50 events held in Oakland and Genesee counties, including the Brooksie Way Festival of Races, Davison Color Run, Lake Orion’s Dragon on the Lake Festival, and the Oxford Scarecrow Festival. We closed out the fall season with a very big announcement: a partnership between Oxford Bank and Oxford Community Schools in the amount of \$150,000 to sponsor a new digital scoreboard for their football field, and support other school improvements and student programs.

For an end-of-the-year grand finale, we held a food drive for the Oxford/Orion FISH organization and a toy drive for Toys for Tots - Waterford. Between the two drives, over \$4,500 was raised to support our communities!

As we evolve in 2017 and beyond, our commitment to serving the community will remain strong, although our definition of community is changing. Our community is really made up of people who share our values and desire for the relationship we offer, and are no longer dependent on geography. We look forward to an even more engaging and exciting year ahead of us!

## BY THE NUMBERS

50+ COMMUNITY EVENTS

1,000 HOURS COMMUNITY SERVICE

\$170,000 EVENT SPONSORSHIPS/  
ORGANIZATIONAL PARTNERSHIPS

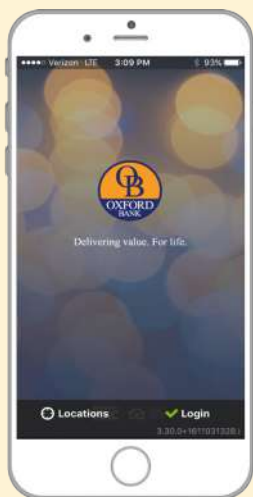


*Above: Davison Color Run;  
Oxford Bank/Oxford Schools  
partnership; Davison Pumpkin  
Festival.*

*Left: Oxford Bank Employee  
Holiday Party.*



# INVESTMENTS IN TECHNOLOGY



Our Technology group made great strides to bring Oxford Bank up to date – and we can now proudly say that we offer the same technological conveniences as our mega-bank competitors!

We started with our new mobile app, *Oxford on the Go*, in 2015, which has remote check depositing capabilities (just take a picture of your check and deposit it into your account!), and we improved it in 2016 with fingerprint accessibility.

In early March, our Business Solutions team launched nCino: a web-based, enterprise management software, which enables us to greatly improve convenience and productivity for the team and its customers.

Our biggest “hardware” project launched last summer was installing Interactive Teller Machines (ITM’s) in our drive-thrus. The ITM’s allow customers to talk to a live teller from 7am to 8pm, Monday through Friday, and 7am to 5pm on Saturdays. The ITM’s have all the same capabilities as one would have walking up to the teller line: check deposit, loan payments, and cash withdrawals. This project’s success was a true team effort; besides seamless installation by Technology and Operations, our Personal Banking team did a fantastic job engaging customers daily on using this new service.

Finally, we ended the year by getting ready to launch Kasasa<sup>®</sup> deposit and info security products for the very beginning of 2017. Not only are the Kasasa<sup>®</sup> accounts a great value with rewards based on qualifying activities by the customer, but we re-launched our web site so people can now open deposit accounts online. We also offer the convenience of online mortgage applications and will offer online business loan applications in early 2017!

## SOCIAL MEDIA

At the end of the second quarter we formed a Social Media committee and got “plugged in” online. Check out how we’re doing!

 **FACEBOOK:** 223 FOLLOWERS; 4.9 /5 RATING; AVG. 855 POST REACH

 **LINKEDIN:** 1,334 FOLLWERS, 92 EMPLOYEES CONNECTED

 **TWITTER:** @OXFORDBANK; 64 TWEETS, 45 FOLLOWERS



# EMPLOYEE GROWTH

As a result from the growth of \$100 million in new business loans and the launching our many new projects, we knew we needed to grow our team a whole lot in 2016. Our value formula is to develop high-performing team members in a strong team culture, which will result in valuable client relationships. When we are “cooking with fire,” we know that everything else, like the value of your shares, will follow!

Following that recipe, our relationship with our team is the start of everything great we do. The first place we started was improving our 401k plan, which results in a four percent match if a team member sets aside five percent of their pay. We also changed our 401k provider to provide more advice and training so our team can have a better tomorrow.

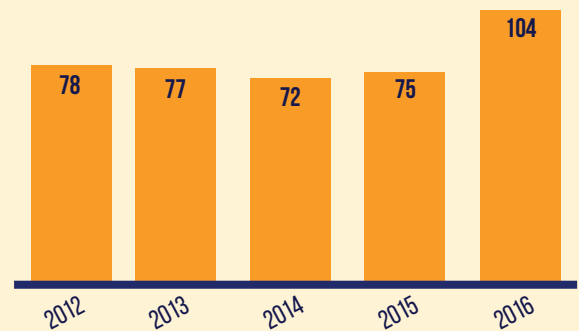
Given that we believe we have to treat our customers, team members, and stakeholders the same, we know that improving our presence in our “team” community is very important. One of those initiatives is a Wellness Program, which is run by our team members and provides wellness benefits to the entire team. Benefits include health club memberships or non-physical wellness activities, as well as sponsoring team events such as the Detroit Zoo Run/Walk, hydration contest, and flu shot promotion. Overall, we had an estimated 45 percent employee participation in the Wellness Program – which was phenomenal for a first-year launch.



*20 employees and their families participated in the Detroit Zoo 5k Run/Walk.*

opportunities. We have a very good team that will become great by developing them to take advantage of new opportunities from the Corporation’s growth. One of our new initiatives for 2017 is the launch of “Oxford U” . . . and no apologies to that obscure school in England! Team members can sign up for classes in everything from Bank Finance 101, to Being a Great Relationship Manager. Another benefit from Oxford U is that our extremely talented, expert team members, who serve as our “professors,” grow their teaching abilities, too!

STAFF GROWTH: 2012-2016



# BUSINESS UNIT UPDATES

**Business Banking** is the Corporation's predominant source of revenue and risk. In 2016, we made substantial progress in executing our strategy, focusing on the relationship banking business with the team basically built out. To us, relationship banking means working with operating companies (a/k/a C&I), to meet their working capital, equipment, and real estate used by the business (owner occupied) financial needs. The value to the Corporation is that operating companies provide substantial deposits, work with us on a value rather than a commodity basis, and provide other business – like their personal banking. Our success in 2016 was outstanding, as evidenced by business loans increasing by 25 percent and largely maintaining margins. In 2016, we added three new experienced senior Business Banking Relationship Managers (“RMs”) to support our growth aspirations in 2017 and beyond. Management believes we now have sufficient senior RMs to reach one billion in assets in under five years, although we always have room for superior talent. We will need to add developing employees to manage the portfolio over that time period. Part of the reason for our belief in growing without adding additional senior RMs is our Loan Fulfillment model.

Loan Fulfillment is our business loan processing and credit group, although they do far more than a similar group at other banks. The Loan Fulfillment model is to increase the productivity of the RMs by taking over many tasks that are done by RMs at conventional banks. The Loan Fulfillment model starts with having a professional staff rather than the largely clerical teams found elsewhere. This professionalism allows them to interact with clients directly, freeing the RMs to pursue other business. The goal is to be more productive with better risk control so our RMs can focus solely on their highest and best use, which is developing new relationships. Management believes the leadership and team for Loan Fulfillment and Business Banking is one of the best in the business so is confident in a continued high level of success in our predominant revenue business.

Our two technology initiatives in Business Banking were launching nCino, our business loan Enterprise Risk Management software, and multiple cash management product launches to meet the requirements of our C&I customers. The former is critical to obtaining productivity and the latter will play an increasing strong role in growing our reoccurring non-interest income.

**Personal Banking** continues to be in a state of transformation, although it's more internally driven with many existing team members developing into relationship managers. Personal Banking is our most critical segment because without executing on our deposit plan, other growth is impossible. In fact, Personal Banking is the reason we have a bank charter, and so deserves and receives significant attention by the leadership team. Our major company initiative in 2017 is the launch of Kasasa branded reward deposit products. These checking accounts provide rewards if the customer qualifies by doing specific activities, like having twelve debit card transactions per month. This product is focused on the 25 to 45 year old consumer demographic, which is hard for

small or community banks to penetrate. Management believes this initiative will drive the deposit activity needed to fund our growth needs, plus mitigate risks, of the Corporation's aging customer base and an expected volatile interest rate risk environment. This segment enjoys strong leadership and a team engaged in developing their talents to help many more people than we did in the past.

In 2016, we made a major investment in replacing our drive-thru's with Interactive Teller Machines (ITM's). This initiative had multiple tactical reasons; among them, to demonstrate our brand of personal service combined with convenience via technology. Our ITM's allow a customer to go to the drive-thru and talk to a teller from 7 a.m. to 8 p.m., so customers don't need to worry about when they "have" to go to the Bank. The ITM's also provide significant efficiency opportunities because we have a great group of three to six ITM Specialists in one location doing what ten to sixteen people did previously. In addition, our drive-thru's were literally becoming inoperable, given the deferred maintenance for many years during the Corporation's troubled period.

Our **Infrastructure** teams spent the majority of 2016 supporting the Corporation's high level of growth while focusing on gaining efficiencies. 2016 was our first full year to focus on changing processes and procedures that had not been changed or reviewed for many years. However, management believes the most significant productivity gains will come through converting our core system in 2017. The Corporation had not upgraded its existing core system in many years, so the conversion should deliver more efficiency than most conversions actually do. We are also automating our payables process, outsourcing our item processing, automating our human resources performance management, and have added a budgeting software (vs. spreadsheets) to improve our forecasting. We believe those leaders and teams will produce a seamless conversion with the real challenge and hard work maximizing the efficiency available from the converted system. Again, our team has the talent and work ethic to make it happen!

## BY THE NUMBERS:

### GOING GREEN

Personal Banking made it a priority in 2016 to help our customers 'go green,' in an effort to save trees and reduce waste.

**4,431** E-STATEMENT CONVERSIONS

**5,036** DEBIT CARDS OPENED

**7** TREES SAVED IN 2016

**140** TREES SAVED OVER A 20-YEAR RELATIONSHIP

**\$56,362** BANK MONEY SAVED FROM TECHNOLOGY CONVERSION

# CONSOLIDATED BALANCE SHEET

(000s omitted, except per share data)

	31 - Dec - 16	31 - Dec - 15
<b>Assets</b>		
Cash and due from banks	\$ 41,736	\$ 87,283
Interest-bearing deposits in banks	197	197
Total cash and cash equivalents	41,933	87,480
Investment securities - Available for sale	24,447	2,035
Investment securities - Held to maturity	1,140	1,430
Federal Home Loan Bank stock	575	575
Loans - Net of allowance for loan losses of \$ 3,317 and \$3,210 in 2016 and 2015, respectively	260,946	208,960
Other real estate owned	982	3,025
Premises and equipment - Net	9,022	7,840
Accrued interest receivable and other assets	7,055	7,100
<b>Total assets</b>	<b>\$ 346,100</b>	<b>\$ 318,445</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	61,233	\$ 51,196
Interest-bearing	249,807	234,370
Total deposits	311,040	285,566
Accrued interest, taxes, and other liabilities	640	936
<b>Total liabilities</b>	<b>311,680</b>	<b>286,502</b>
<b>Stockholders' Equity</b>		
Common stock - No par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 2,289,052 and 2,162,865 shares at December 31, 2016 and 2015, respectively	25,285	24,196
Unearned stock compensation	(233)	(9)
Retained earnings	9,630	7,745
Accumulated other comprehensive	(262)	11
<b>Total stockholders' equity</b>	<b>34,420</b>	<b>31,943</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 346,100</b>	<b>\$ 318,445</b>



# CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(000s omitted, except per share data)	31 - Dec - 16	31 - Dec - 15
<b>Interest Income</b>		
Loans	\$ 11,885	\$ 10,363
Debt securities:		
Taxable	252	93
Tax-exempt	49	66
Other	283	149
Total interest income	12,469	10,671
<b>Interest Expense</b>	<b>595</b>	<b>637</b>
<b>Net Interest Income</b>	<b>11,874</b>	<b>10,034</b>
<b>Provision for Loan Losses</b>	<b>—</b>	<b>—</b>
<b>Net Interest Income After Provision for Loan Losses</b>	<b>11,874</b>	<b>10,034</b>
<b>Noninterest Income</b>		
Service charges - Deposits	787	767
Mortgage banking activities	354	36
Gain on sale of loans	455	—
Gain (loss) on sale of other real estate owned	83	(45)
Gain on sale of securities	—	38
Loss on sale of fixed assets	(259)	(34)
Other	477	334
Total noninterest income	1,897	1,096
<b>Noninterest Expense</b>		
Salaries and employee benefits	6,237	4,326
Occupancy and equipment	1,491	1,127
FDIC insurance premium	236	559
Other real estate owned expense	507	451
Other	2,508	2,476
Total noninterest expenses	10,979	8,939
<b>Income - Before income taxes</b>	<b>2,792</b>	<b>2,191</b>
<b>Income Tax Expense</b>	<b>907</b>	<b>671</b>
<b>Consolidated Net Income</b>	<b>1,885</b>	<b>1,520</b>
<b>Other Comprehensive Loss – Net of tax</b>		
Unrealized loss on securities:		
Change in unrealized loss on securities	(414)	(76)
Reclassification adjustment for gains in realized income	—	38
Tax effect	141	12
Total other comprehensive loss	(273)	(26)
<b>Comprehensive Income</b>	<b>\$ 1,612</b>	<b>\$ 1,494</b>

# CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(000s omitted, except per share data)

	Common Stock	Unearned Stock Compensation	Retained Earnings	Accumulated Other Comprehensive	Total
<b>Balance - January 1, 2015</b>	\$ 17,905	\$ —	\$ 6,225	\$ 37	\$ 24,167
Comprehensive income:					
Net income	—	—	1,520	—	1,520
Unrealized loss on securities	—	—	—	(26)	(26)
Issuance of common stock	6,435	—	—	—	6,435
Stock offering expense	(167)	—	—	—	(167)
Stock option expense related to stock awards	23	(23)	—	—	—
Amortization of unearned stock awards	—	14	—	—	14
<b>Balance - December 31, 2015</b>	24,196	(9)	7,745	11	31,943
Comprehensive income:					
Net income	—	—	1,885	—	1,885
Unrealized loss on securities	—	—	—	(273)	(273)
Issuance of common stock	859	—	—	—	859
Stock offering expense	(62)	—	—	—	(62)
Stock option expense related to stock awards	292	(292)	—	—	—
Amortization of unearned stock awards	—	68	—	—	68
<b>Balance - December 31, 2016</b>	\$ 25,285	\$ (233)	\$ 9,630	\$ (262)	\$ 34,420

# STOCK INFORMATION

## Stock Listing

Symbol: OXBC  
Over-The-Counter Bulletin Board

## Transfer Agent and Registrar

Computershare Trust Company, N.A.

## Contact

Computershare Trust Company, N.A.

Computershare  
P.O. Box 30170 • College Station, Texas 77842  
(866) 595-6048

## Investor Relations Contact

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*President & CEO*

Oxford Bank  
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(248) 969-7202  
(248) 969-7230 *fax*





Delivering value. For life.

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**DRYDEN OFFICE**

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**MORTGAGE CENTER**

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