

2017 ANNUAL REPORT

MADE FRESH

IMPROVEMENT. PROGRESS . GROWTH.

DAILY



Delivering value. For life.

WE CREATE VALUE

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Board of Directors

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



Karen Mersino, Chair
Business Owner, Mersino Dewatering, Inc.



Todd Fox
Shareholder, Doeren Mayhew



Dr. Michael E. Kubinski
Shareholder, North Oakland Dental Group



Harvey Solway
Entrepreneur



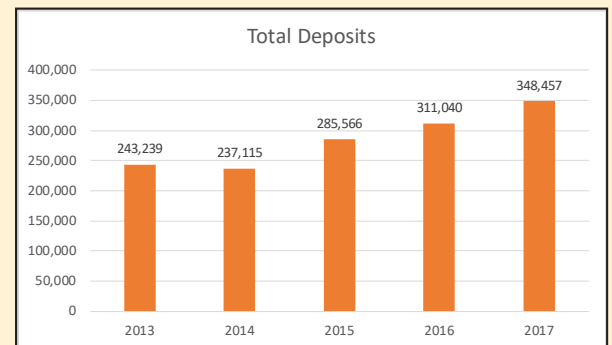
Richard Thompson
Owner, Industrial Businesses

LETTER TO SHAREHOLDERS

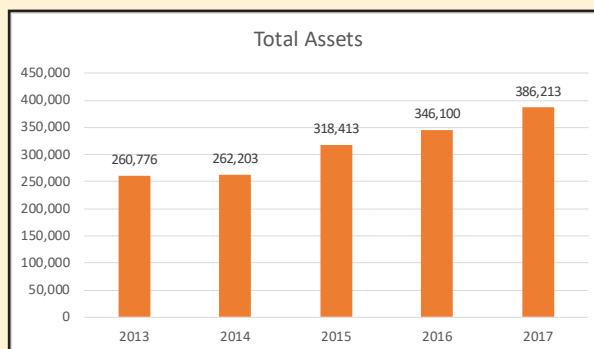
Dear Shareholder:

Your business continues to progress as anticipated from my 2016 and 2015 shareholder letters. We consider ourselves a growth company, but one that wants to be sustainable over the long term. From a growth aspect, we originated over \$100 million new business loans in 2017, a 4% increase from 2016.

From a sustainability standpoint, we also chose not to refinance over \$32 million in existing loans secured by investment real estate. (Investment real estate is property that is rented to third party tenants like retail strip centers, apartments or hotels.) That is on top of our normal loan run-off from regular payments estimated at approximately 15% of our entire commercial loan portfolio – or almost \$40 million. The net effect is we originated \$100 million in new business loans and grew the portfolio by \$22 million (11%). The \$32 million of loans we chose not to refinance would have had a net margin impact of between \$1.2 million and \$600,000 depending on when repaid.



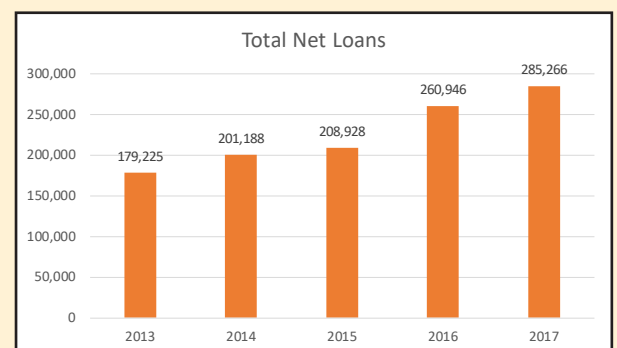
I am here to tell you that your Board and executive leadership team are completely fine with reducing risk, even at the



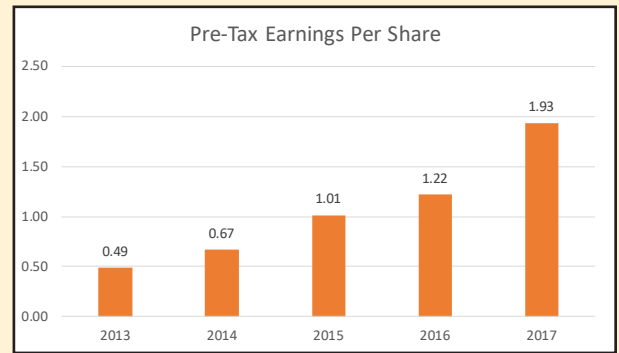
expense of current earnings. To be clear, our goal is to outperform our peers in profitability, but consider “de-risking” as an infrastructure cost so we are able to grow safely. The other infrastructure costs, which have been discussed in this letter the past two years, were investing in our technology and team members to support our growth. In terms of risk management, we are in the business of buying risk, but that risk must be supported by an adequate return.

From a team standpoint, I would guess that even with our continued improved performance, which is due to their hard work, they are probably glad that 2017 is behind them. We went through a major conversion of our core processing system at the end of August 2017. We didn’t change our provider, Jack Henry Associates, but upgraded to a new and better system; so it really was a conversion and not just an upgrade.

Combined with our normal FDIC examination starting the day after we converted to the new system, it was an extremely busy and stressful time for our team from July through year-end. The resources used in our team members’ time did impact some of our initiatives around relationship building, however, I would have been highly encouraged by their performance even without the conversion “hurdle.”



The team's performance reflects their engagement in our mission of Delivering Value, which shows in their hard work. Your Board continues to believe that having an engaged relationship with our team results in having great relationships with our customers . . . and everything else will take care of itself. Based on our year over year growth in pre-tax EPS of 58% in 2017, I believe that has been proven true again. Our forecast for 2018, assuming no major economic dislocations, is that we will be very close to our peer's ROAA average and be well along the superior performer. Our focus remains on productivity and earnings.



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

BUSINESS UNIT UPDATES

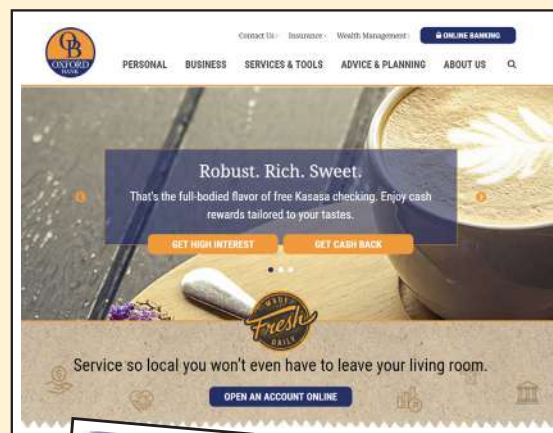
2017: Enhancing the customer experience

Since our current leadership team began changing your Company in 2015, we have focused on creating a team and model to focus on convenience (customer experience). Our advantage, then and now, over most of our competitors is we actually build relationships with our clients. We do that by offering white-glove personal service, paired with select technology. We don't desire to become all things to all people, so we don't need to have every last technology option that the "too big to service" companies do. However, we do need to provide superior customer experience, and personal service helps bridge that potential technology gap. That being said, we do see a future where certain technologies can provide a superior customer experience by being more convenient. An example to that is having a simple yet comprehensive mobile platform that includes personal financial management, which we are launching at the end of this year.

We are inspired, not by other banks' offerings, but by technology companies like Amazon whose singular focus is on the customer experience. Our focus in 2018 and beyond will be how we access the right technology to offer a better experience. That includes more effectively utilizing our data to customize offers and improve risk management. Whether it's technology or person-to-person contact, we have to constantly improve to provide a customer experience desired by the families and businesses we serve.

Some ways we enhanced the customer experience in 2017 were:

- Created a completely new website to improve customers' ability to find information quickly and painlessly
- Assisted more customers with our Interactive Teller Machine ("ITM") in 2017 than at our teller line
- Went 100% paperless for all benefits and other HR-related needs, making it easier for our team members and better for the environment
- Offered e-disclosures to our residential mortgage applicants, so customers don't have to waste time or postage mailing documents back to us
- Converted thousands of customers to a new MasterCard debit card in effort to improve fraud detection
- Provided an online application and electronic "portal" solution for small business loans, so customers can apply anytime, anywhere, and "drop" their existing documents into the application
- Finalized e-signature for business loan documents so customers can close their loan whenever they want, wherever they want





- Offered the ability to open deposit accounts online, and enroll in online banking services
- Upgraded our online “billpayer,” so customers can see their bills while paying them
- Provided an Intuit/Quicken connection to our software functions, making it easier for business customers using those programs
- Launched an employee intranet portal to improve communication and knowledge -sharing with team members
- Opened a Loan Production Office (LPO) in Farmington Hills to be more convenient for our team members who serve customers in the Greater Metro-Detroit area

Creating a culture of feedback

We continue to make substantial improvement on creating a culture necessary to be successful. That culture is reflected in our cultural principles listed on this page. One important realization is that our former communication centric principle, “Honesty,” didn’t communicate clearly what we were striving for within your Company. A clearer term is “feedback,” or “candor.” We recognized that honesty is the most basic expectation we have of ourselves, but “Candor” is more descriptive and is a very specific type of “Honesty” that we as a team value very much. In short, everyone from the CEO to a part-time customer service representative has to be great at giving and receiving feedback by being candid with each other. This is important to us because we have to constantly improve to compete.



Continuous improvement is a buzz word that sounds simple, but rarely happens. We know that no company is great for any length of time because of just one “big thing,” but because of doing hundreds of “little things” better than others at an increasing rate. Being that one “big thing” can always be copied or outspent, but it impossible to copy hundreds of little advantages . . . particularly if those “small” things multiply daily. If you believe that, like we do, the only way to accomplish this is to have a culture of feedback involving every team member, so we are constantly increasing those little improvements. We have done a tremendous amount of work to live the culture highlighted by the principles with feedback one of the hardest, but most important to create value. With all of this being said, let us know if you have any feedback!

OUR CORE VALUES

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

CANDOR: WE COMMUNICATE CLEARLY AND OFTEN

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

Improving relationships is our reason for being in 2017 . . . and forever.

Delivering Value For Life isn't just our tagline; it's our everyday mantra on how we run the bank successfully. Here are some ways we Delivered Value in 2017 in the communities we live and serve:

- Began offering Kasasa deposit products, which allows customers to receive rewards on their checking and savings accounts
- Received tremendous response from our team, with an 88% participation rate of by our team on how our internal customer service experience can be improved
- Invested over \$100 million in new loans to businesses to create value for the owners, their employees, and their families
- Expanded Oxford Financial Solutions, helping over 200 households invest over \$15 million
- Ranked in the 'Top 10 Originator of SBA Loans' list for Michigan
- Invested over \$30 million into our communities by helping families get a new home or improve their cashflow
- Provided 1,200 new families a unique solution for their personal finances via our Kasasa product
- Offered more development opportunities to our team with a tuition reimbursement program



CONSOLIDATED BALANCE SHEET

(000s omitted, except per share data)

	31 - Dec - 17	31 - Dec - 16
Assets		
Cash and due from banks	\$ 55,578	\$ 41,736
Interest-bearing deposits in banks	–	197
Total cash and cash equivalents	55,578	41,933
Investment securities - Available for sale	29,618	24,447
Investment securities - Held to maturity	990	1,140
Federal Home Loan Bank stock	575	575
Loans held for sale	1,064	–
Loans - Net of allowance for loan losses of \$3,431 and \$3,317 in 2017 and 2016, respectively	284,202	260,946
Other real estate owned	586	982
Premises and equipment - Net	8,601	9,022
Accrued interest receivable and other assets	4,999	7,055
Total assets	\$ 386,213	\$ 346,100
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 45,304	\$ 61,233
Interest bearing	303,153	249,807
Total Deposits	348,457	311,040
Borrowings	525	–
Accrued interest, taxes, and other liabilities	1,058	640
Total liabilities	350,040	311,680
Stockholders' Equity		
Common stock – No par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 2,289,052 and 2,285,052 shares at December 31, 2017 and 2016, respectively		
	25,285	25,285
Unearned equity compensation	(175)	(233)
Additional paid-in capital	84	–
Retained earnings	11,321	9,630
Accumulated other comprehensive loss	(342)	(262)
Total stockholders' equity	36,173	34,420
Total liabilities and stockholders' equity	\$ 386,213	\$ 346,100

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(000s omitted, except per share data)

2017

2016

	2017	2016
Interest Income		
Loans	\$ 14,463	\$ 11,885
Debt securities:		
Taxable	544	252
Tax-exempt	38	49
Other	268	283
Total interest income	15,313	12,469
Interest Expense	743	595
Net Interest Income	14,570	11,874
Provision for Loan Losses	–	–
Net Interest Income after Provision for Loan Losses	14,570	11,874
Non-interest Income		
Service charges - Deposits	863	787
Mortgage banking activities	559	354
Gain on sale of loans	1,101	455
Gain (loss) on sale of other real estate owned	(87)	83
Gain (loss) on sale of securities	–	–
Loss on sale of fixed assets	77	(259)
Other	682	477
Total non-interest income	3,195	1,897
Non-Interest Expense		
Salaries and employee benefits	8,057	6,237
Occupancy and equipment	1,783	1,491
FDIC Insurance premium	159	236
Other real estate owned expense	53	507
Other	3,292	2,508
Total non-interest expense	13,344	10,979
Income - Before income taxes	4,422	2,792
Income Tax Expense	2,786	907
Consolidated Net Income	1,635	1,885
Other Comprehensive Loss – Net of tax		
Unrealized loss on securities:		
Change in unrealized loss on securities	(36)	(414)
Tax effect	12	141
Total other comprehensive loss	(24)	(273)
Comprehensive Income	\$ 1,612	\$ 1,612

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(000s omitted, except per share data)

	Common Stock	Unearned Equity Compensation	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive	Total
Balance - January 1, 2016	\$ 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)	—	—	—	—
Equity compensation expense	—	68	—	—	—	68
Balance - December 31, 2016	\$ 25,285	(233)	—	9,630	(262)	34,420
Comprehensive income:						
Net Income	—	—	—	1,635	—	1,635
Unrealized loss on securities	—	—	—	—	(24)	(24)
Reclassification of tax effect	—	—	—	56	(56)	—
Issuance of restricted stock awards	—	—	84	—	—	84
Equity compensation expense	—	58	—	—	—	58
Balance - December 31, 2017	\$ 25,285	\$ (175)	\$ 84	\$ 11,321	\$ (342)	\$ 36,173

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

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CLARKSTON OFFICE

7199 Main Street • Clarkston, MI 48346

DAVISON OFFICE

600 N. State Road • Davison, MI 48423

DRYDEN OFFICE

5459 Main Street • Dryden, MI 48428

FARMINGTON HILLS

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LAKE ORION OFFICE

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LENDING SOLUTIONS

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OPERATIONS CENTER

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ORTONVILLE OFFICE

345 Ortonville Road • Ortonville, MI 48462



Delivering value. For life.