

# 2019 ANNUAL REPORT

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# DELIVERING VALUE. FOR LIFE.

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## Board of Directors



**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:

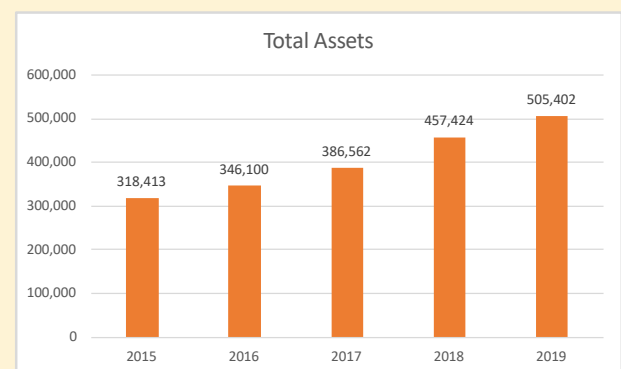
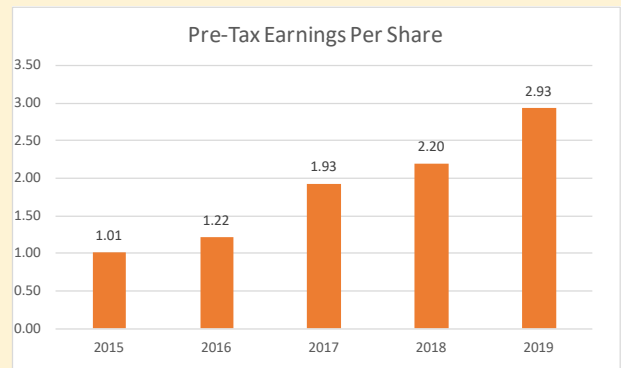
We had a very good year in 2019 because of our team's strong commitment to being better every day. Financially, we are much closer to our expectations for our profitability "run rate", which is great news for everyone. However, to quote Mr. Dan Gilbert from this month's Crain's Detroit, *"Numbers and money follow. They do not lead."*

Our team should be proud that their continued adoption of our cultural principles of Engagement, Transparency, Performance, Candor and Accountability does indeed positively impact their lives here at the bank. I personally spend a lot of time engaging with our team about these principles and their importance in delivering that life-improving experience for them and for our customers. To adhere to our principles is "simple, not easy" -- a great quote from one of my friends that says it all. We believe our success stems from being very consistent in our core strategy premise: *if we deliver a valuable experience to our team, they will do the same with our customers/partners. Everything else (e.g., the numbers) will take care of itself.*

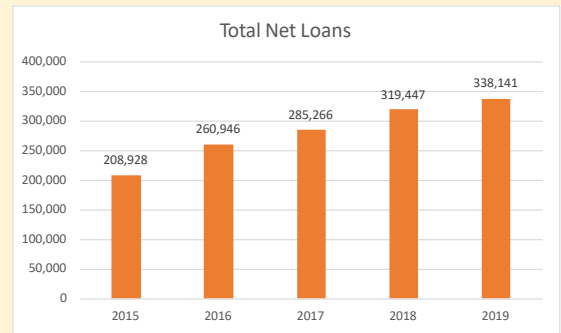
We did not make any major changes to our business lines in 2019, other than continuing to execute on our 2018 initiatives to narrow our focus to where we excel and where we have the most opportunity. That space continues to be serving small- to mid-size commercial and industrial (C&I) businesses and their owners and employees. We believe our relationship focus is the most powerful with this customer niche, as well as generating significantly more deposits than lending to real estate investors. I repeat this every year because it is always front-of-mind for us -- that we have a bank charter to obtain low-cost, stable deposits. All of our businesses should reflect that mindset and, as evidenced by our continued deposit growth, they truly do.

Our mission to "Create Value" also hasn't changed and we continue to believe that we do need to become bigger to deliver on that mission for shareholders and our team. We believe that your Company must become bigger to improve our customers' and teams' experiences. Size also appears to play a role in our stock price not reflecting our intrinsic value -- something that's not likely to change because of the limited trading liquidity and size penalty. That being said, our stock total return had a Compound Average Growth Rate (CAGR)

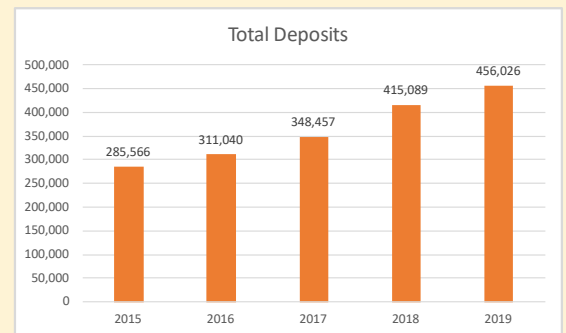
of 26.4% the past four years and 34.6% year-over-year (YOY). This compares very favorably to the Russell 3000 reported at 14.1% (four-year CAGR) and 31.0% YOY and SNL Micro Cap U.S. Bank of 12.4% (four-year CAGR) and 11.7% YOY. (Source: S&P Global Market). The team might be most proud of that result because our legacy shareholders and new owners, who invested alongside what was then a new management team and Board in 2015, had value created at a significantly above average rate.



From a growth perspective, although pleased to pass the \$500 million asset mark at the year end, we are still leery of aggressive balance sheet growth; we don't want to buy credit aggressively at the potential top of the economic expansion. Our growth continues to be in business loans, which increased 10.5% YOY. Our net loans grew at a slower YOY rate at 5.9% due to de-emphasizing a slower YOY rate at 5.9% due to de-emphasizing residential mortgage loans originated outside of our communities beginning in Fall 2018. Our SBA focus continues to show strong growth, with our three-year CAGR for gross SBA loans at 29% and SBA loans serviced at 36%. Our SBA product is not only an excellent solution for our customers but also contributes to our superior yield on C&I loans of 6.42% compared to our peer of 5.93% (Source: 12/31/2019 UBPR).

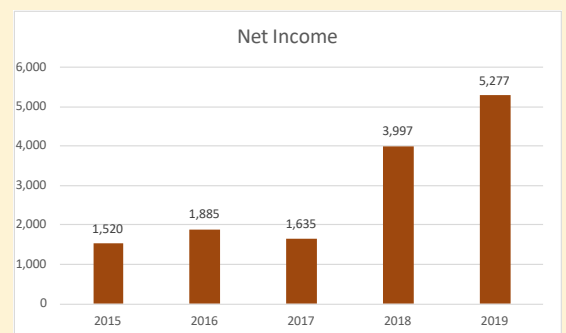


As noted previously, our deposit performance was again quite strong as we grew our core deposits 9.9% year over year compared to peer of 5.9% (FDIC Q3 2019 Quarterly Banking Summary). And we obtained that growth with a below-average cost of .75%, compared to the peer's reporting 1.10% (Source: 12/31/2019 UBPR). Even better, we improved on the rate difference to our peer from 2018. We believe our risk sensitivity and liquidity are well-positioned for growth and sustainability, although this seemingly endless run of very low interest rates is a continuing challenge!



While it's true that numbers do "follow, not lead", our ability to create current value for you, our shareholders, is dependent on numbers -- specifically earnings. Our 2019 earnings per share (EPS) grew 32.1% YOY with our four-year CAGR just under 30%. Our ROAA ratio, although still not at our minimum standard of at least the UBPR peer average, did grow 19% versus the peer's ROAA growth of under 1% YOY. I started this letter noting our team's commitment as the "why" we had a very good year and I'm going to end it by noting the Board's continuing appreciation for that team's commitment to being great.

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

# ROI: RETURN ON INVOLVEMENT

*Accounting Aid Society*

*Ann Arbor YMCA*

*Boys and Girls Club*

*City of Lathrup Village DDA*

*EMH Senior Solutions*

*FDIC Alliance For Economic Inclusion*

*Flint Banker's Forum*

*Habitat for Humanity*

*I-69 Regional Development Corp*

*Junior Achievement*

*Metro Community Development*

*Oakland County Economic Development*

*City of Oxford/Oxford Gives Back*

*Shiawassee Economic Development*



Oxford Bank employees deliver value daily. We are committed to our communities by getting involved. In 2019, we dedicated over 422 volunteer hours serving on numerous advisory and planning committees and joining forces with multiple nonprofit organizations. Along with the workforce, we financially invest in organizations that focus on, but not limited to, Affordable Housing, Economic Development, Community Revitalization, Financial Literacy and Human Services. We believe in making a difference in the communities where we live and work.



# CONSOLIDATED BALANCE SHEET

(000s omitted, except per share data)

31 - Dec -19

31 - Dec -18

## Assets

Cash and due from banks	\$	72,026	\$	63,207
Total cash and cash equivalents		72,026		63,207
Investment securities - Available for sale		80,678		59,989
Investment securities - Held to maturity		430		720
Federal Home Loan Bank stock		575		575
Loans held for sale		—		—
Loans - Net of allowance for loan losses of \$3,666 and \$3,224 in 2019 and 2018, respectively		338,141		319,446
Other real estate owned		—		127
Premises and equipment - Net		8,682		8,453
Accrued interest receivable and other assets		4,870		4,901
<b>Total assets</b>	<b>\$</b>	<b>505,402</b>	<b>\$</b>	<b>457,418</b>

## Liabilities and Stockholders' Equity

### Liabilities

Deposits:				
Non-interest bearing	\$	75,438	\$	51,370
Interest bearing		380,588		363,719
Total Deposits		456,026		415,089
Borrowings		450		825
Accrued interest, taxes, and other liabilities		2,338		1,191
Total liabilities		458,814		417,105

### Stockholders' Equity

Common stock – No par value				
Authorized - 10,000,000 shares				
Issued and outstanding - 2,287,378 and 2,289,052 shares at December 31, 2019 and 2018, respectively		25,285		25,285
Unearned equity compensation		(64)		(117)
Additional paid-in capital		547		286
Retained earnings		20,595		15,318
Accumulated other comprehensive gain (loss)		225		(459)
<b>Total stockholders' equity</b>		<b>46,588</b>		<b>40,313</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>505,402</b>	<b>\$</b>	<b>457,418</b>

# CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(000s omitted, except per share data)

	2019	2018
<b>Interest Income</b>		
Loans	\$ 18,612	\$ 16,436
Debt Securities:		
Taxable	1,492	957
Tax-exempt	59	32
Other	935	1,021
Total interest income	21,098	18,446
<b>Interest Expense</b>	<b>2,727</b>	<b>1,649</b>
<b>Net Interest Income</b>	<b>18,371</b>	<b>16,797</b>
<b>Provision for Loan Losses</b>	<b>270</b>	<b>210</b>
<b>Net Interest Income after Provision for Loan Losses</b>	<b>18,101</b>	<b>16,587</b>
<b>Non-interest Income</b>		
Service charges - Deposits	908	882
Mortgage banking activities	482	817
Gain on sale of loans	1,425	998
Gain (loss) on sale of other real estate owned	(7)	(11)
Other	1,167	888
Total non-interest income	3,975	3,574
<b>Non-Interest Expense</b>		
Salaries and employee benefits	8,903	9,177
Occupancy and equipment	1,777	1,782
FDIC Insurance premium	116	160
Other real estate owned expense	105	138
Other	4,474	3,869
Total non-interest expense	15,375	15,126
<b>Income - Before income taxes</b>	<b>6,701</b>	<b>5,035</b>
<b>Income Tax Expense</b>	<b>1,424</b>	<b>1,038</b>
<b>Consolidated Net Income</b>	<b>5,277</b>	<b>3,997</b>
<b>Other Comprehensive Income (Loss) – Net of tax</b>		
Unrealized gain (loss) on securities:		
Change in unrealized gain (loss) on securities	866	(148)
Tax effect	(182)	31
Total other comprehensive income (loss)	684	(117)
<b>Comprehensive Income</b>	<b>\$ 5,961</b>	<b>\$ 3,880</b>

# 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 Gain (Loss)	Total
<b>Balance - January 1, 2018</b>	\$25,285	(\$175)	\$84	\$11,321	(\$342)	\$36,173
Comprehensive Income:						
Net Income	—	—	—	3,997	—	3,997
Change in net unrealized gain (loss) on securities available for sale	—	—	—	—	(117)	(117)
Grant of restricted stock units	—	—	202	—	—	202
Equity compensation expense	—	58	—	—	—	58
<b>Balance - December 31, 2018</b>	\$25,285	(\$117)	\$286	\$15,318	(\$459)	\$40,313
Comprehensive Income:						
Net Income	—	—	—	5,277	—	5,277
Change in net unrealized gain (loss) on securities available for sale	—	—	—	—	684	684
Grant of restricted stock units	—	—	261	—	—	261
Equity compensation expense	—	53	—	—	—	53
<b>Balance - December 31, 2019</b>	\$25,285	(\$64)	\$547	\$20,595	\$225	\$46,588



# FINANCIAL HIGHLIGHTS - 5 YEAR

(000's omitted, except per share data)

	2015	2016	2017	2018	2019
<b>Balance Sheet:</b>					
Total Assets	\$ 318,445	\$ 346,100	\$ 386,213	\$ 457,418	\$ 505,402
Total Net Loans	208,960	260,946	284,202	319,446	338,141
Total Deposits	285,566	311,040	350,040	417,105	456,026
Non-Performing Assets	3,727	1,116	698	2,294	1,076
Allowance for Loan Losses	3,210	3,317	3,431	3,224	3,666
Allowance / Total Loans	1.51%	1.26%	1.19%	1.00%	1.07%
Tier 1 Leverage Ratio	9.12%	9.12%	9.28%	9.14%	9.35%
Total Capital Ratio	13.81%	12.37%	13.07%	12.77%	13.76%
<b>Income Statement:</b>					
Pre-Tax Income	2,191	2,792	4,421	5,035	6,701
Net Income	1,520	1,885	1,635	3,997	5,277
Return on Average Assets	0.51%	0.56%	0.45%	0.94%	1.13%
Return on Average Equity	5.86%	5.05%	4.54%	10.38%	12.04%
Shares outstanding	2,034	2,289	2,289	2,289	2,287
Earnings Per Share	\$0.70	\$0.82	\$0.71	\$1.75	\$2.31
Closing Price Per Share*	\$9.29	\$12.00	\$18.00	\$17.35	\$23.36

\* source: Yahoo Finance

# STOCK INFORMATION

## Stock Listing

Symbol: OXBC

Over-The-Counter Bulletin Board

## Transfer Agent and Registrar

Computershare Trust Company, N.A.

Computershare

P.O. Box 30170 • College Station, Texas 77842

(866) 595-6048

## Investor Relations Contact

David P. Lamb

President & CEO

Oxford Bank

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(248) 969-7202 desk

(248) 969-7230 fax



### **OXFORD BRANCH (MAIN)**

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248-628-2533

### **BRIGHTON LOAN OFFICE**

455 E. Grand River Avenue • Brighton, MI 48116  
Ste. 100 • By appointment only

### **DAVISON BRANCH**

600 N. State Road • Davison, MI 48423  
810-658-1500

### **FARMINGTON HILLS LOAN OFFICE**

28552 Orchard Lake Road • Farmington Hills, MI 48334  
Ste. 300 • By appointment only

### **LENDING SOLUTIONS**

64 S. Washington Street • Oxford, MI 48371  
248-969-7222

### **ORTONVILLE BRANCH**

345 S. Ortonville Road • Ortonville, MI 48462  
248-627-2813

### **ADDISON-OAKS BRANCH**

35 S. Rochester Road • Oakland, MI 48363  
586-752-4555

### **CLARKSTON BRANCH**

7199 N. Main Street • Clarkston, MI 48346  
248-625-0011

### **DRYDEN BRANCH**

5459 Main Street • Dryden, MI 48428  
810-796-2651

### **LAKE ORION BRANCH**

1115 S. Lapeer Road • Lake Orion, MI 48361  
248-693-6261

### **OPERATIONS CENTER**

485 N. Lapeer Road • Oxford, MI 48371  
248-628-2533

### **OWOSSO LOAN OFFICE**

215 N. Water Street • Owosso, MI 48867  
Ste. 139 • By appointment only



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