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## Oxford Bank Corporation and Subsidiary

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**Consolidated Financial Report**  
**(Dollar amounts in thousands)**  
**December 31, 2025**

# Oxford Bank Corporation and Subsidiary

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Oxford Bank Corporation and Subsidiary  
Auburn Hills, Michigan

***Opinion***

We have audited the consolidated financial statements of Oxford Bank Corporation and Subsidiary which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Oxford Bank Corporation and Subsidiary as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oxford Bank Corporation and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oxford Bank Corporation and Subsidiary's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oxford Bank Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oxford Bank Corporation and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Crowe LLP*  
Crowe LLP

Grand Rapids, Michigan  
May 11, 2026

# Oxford Bank Corporation and Subsidiary

## Consolidated Balance Sheets

December 31, 2025 and 2024  
(Dollar amounts in thousands)

	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 264,251	\$ 45,275
Interest-bearing time deposits at other financial institutions, at cost	496	999
Investment securities - available for sale, at fair value	115,769	111,410
Investment securities - held to maturity (fair value of \$569 and \$1,110 at December 31, 2025 and 2024 respectively)	585	1,160
Restricted stock at cost - FRB and FHLB	3,445	2,507
Loans - net of allowance for credit losses of \$8,037 and \$8,614 at December 31, 2025 and 2024, respectively	653,335	604,870
Premises and equipment, net	8,964	9,236
Other real estate owned, net of valuation reserve	5,451	-
Bank owned life insurance	11,592	11,212
Goodwill	7,000	7,000
Right of use asset	2,498	3,002
Equipment on operating leases, net	4,305	3,436
Accrued interest receivable and other assets	11,280	11,095
Total assets	<b>\$ 1,088,971</b>	<b>\$ 811,202</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 281,063	\$ 273,919
Interest bearing	672,251	413,007
Total deposits	953,314	686,926
Subordinated debt - net	13,835	15,779
Lease liability	2,498	3,002
Accrued interest payable and other liabilities	7,891	7,526
Total liabilities	977,538	713,233
<b>Stockholders' Equity</b>		
Common stock - no par value; 10,000,000 shares authorized; 2,476,160 and 2,465,056 shares issued and outstanding at December 31, 2025 and 2024 respectively	27,833	27,945
Additional paid-in capital	3,008	2,501
Retained earnings	80,181	69,204
Accumulated other comprehensive loss	(1,311)	(3,569)
Total stockholders' equity attributable to parent	109,711	96,081
Noncontrolling interest	1,722	1,888
Total stockholders' equity	111,433	97,969
Total liabilities and stockholders' equity	<b>\$ 1,088,971</b>	<b>\$ 811,202</b>

# Oxford Bank Corporation and Subsidiary

## Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31, 2025 and 2024

(Dollar amounts in thousands)

	2025	2024
<b>Interest Income</b>		
Loans	\$ 48,044	\$ 44,880
Investment securities:		
Taxable	3,269	2,523
Tax exempt	47	56
Other	2,938	3,857
Total interest income	54,298	51,316
<b>Interest Expense</b>		
Deposits	10,027	9,070
Other borrowings	58	219
Subordinated debt	552	553
Total interest expense	10,637	9,842
<b>Net Interest Income</b>	43,661	41,474
<b>Credit Loss Expense</b>		
Provision for credit losses - loans	2,178	3,326
Provision (recovery) for credit losses - off balance sheet exposure	196	(52)
Total credit loss expense	2,374	3,274
<b>Net Interest Income after Credit Loss Expense</b>	41,287	38,200
<b>Noninterest Income</b>		
Service charges - deposits	631	645
ATM fee income	677	691
Gain on sale of loans	502	248
Business banking income	1,569	1,421
Loan servicing income, net	99	206
Commercial finance fee income	1,316	1,277
Operating lease income	759	655
Income on bank owned life insurance	380	362
Gain on disposal of premises and equipment	255	-
Gain on extinguishment of subordinated debt	223	-
Other	1,472	1,069
Total noninterest income	7,883	6,574
<b>Noninterest Expense</b>		
Salaries and employee benefits	18,941	18,614
Occupancy and equipment	2,892	2,321
Data processing	4,244	4,517
Write-downs on other real estate owned	1,859	-
Loss on sale of other real estate owned	56	-
Other	6,448	5,845
Total noninterest expense	34,440	31,297
<b>Income - Before income taxes</b>	14,730	13,477
<b>Income Tax Expense</b>	2,538	2,769
<b>Net Income</b>	12,192	10,708
Net income attributable to noncontrolling interest	1,215	750
<b>Net Income after noncontrolling interests</b>	10,977	9,958
<b>Other Comprehensive Income - Net of tax -</b>		
Unrealized gain on investment securities - available for sale:		
Unrealized gains arising during the period	2,859	2,483
Tax effect	(601)	(521)
Total other comprehensive income	2,258	1,962
<b>Comprehensive Income</b>	14,450	12,670
Comprehensive income after noncontrolling interests	1,215	750
<b>Comprehensive Income attributable to parent</b>	\$ 13,235	\$ 11,920

## Oxford Bank Corporation and Subsidiary

### Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total Stockholders' Equity
Balance - January 1, 2024	\$28,054	\$2,081	\$59,246	\$(5,531)	\$738	\$84,588
Comprehensive income:						
Net income	-	-	9,958	-	750	10,708
Other comprehensive income	-	-	-	1,962	-	1,962
Repurchase of 3,782 shares restricted stock to pay employee tax liability	(109)	-	-	-	-	(109)
Equity compensation expense	-	420	-	-	-	420
Contribution, net of distributions, from noncontrolling interest	-	-	-	-	400	400
Balance - December 31, 2024	\$27,945	\$2,501	\$69,204	\$(3,569)	\$1,888	\$97,969
Comprehensive income:						
Net income	-	-	10,977	-	1,215	12,192
Other comprehensive income	-	-	-	2,258	-	2,258
Repurchase of 3,311 shares restricted stock to pay employee tax liability	(112)	-	-	-	-	(112)
Equity compensation expense	-	507	-	-	-	507
Contribution, net of distributions, from noncontrolling interest	-	-	-	-	(1,381)	(1,381)
Balance - December 31, 2025	<u>\$27,833</u>	<u>\$3,008</u>	<u>\$80,181</u>	<u>\$(1,311)</u>	<u>\$1,722</u>	<u>\$111,433</u>

# Oxford Bank Corporation and Subsidiary

## Consolidated Statements of Cash Flows

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 12,192	\$ 10,708
Adjustments to reconcile net income to net cash and cash equivalents from operating activities:		
Depreciation of premises and equipment	925	676
Depreciation of equipment on operating leases	79	456
Provision for credit losses - loans	2,178	3,326
Provision (recovery) for credit losses - off balance sheet exposure	196	(52)
Income on bank owned life Insurance	(380)	(362)
Equity compensation expense	507	420
Net accretion on investment securities available for sale	(648)	(119)
Origination of loans held for sale	(6,372)	(3,055)
Proceeds from sales of loans held for sale	6,874	3,303
Gain on sale of loans	(502)	(248)
Gain on disposal of premises and equipment	(255)	(17)
Loss on sale of other real estate owned	56	-
Gain on extinguishment of subordinated debt	(223)	-
Amortization of subordinated debt offering costs	56	33
Write-downs on other real estate owned	1,859	-
Net change in:		
Accrued interest receivable and other assets	1,256	1,788
Accrued interest payable and other liabilities	(335)	177
Net cash and cash equivalents provided by operating activities	<u>17,463</u>	<u>17,278</u>
<b>Cash Flows from Investing Activities</b>		
Net change in interest-bearing time deposits in other financial institutions	503	4,470
Activity in available-for-sale securities:		
Maturities, prepayments, and calls	57,536	41,760
Purchases	(58,388)	(9,316)
Activity in held-to-maturity securities -		
Maturities, prepayments, and calls	575	10
Purchase of restricted stock - FRB & FHLB	(938)	(119)
Net change in loans	(65,862)	(71,642)
Proceeds from sale of portfolio loans	7,763	-
Proceeds from the sale of other real estate owned	90	-
Additions to premises and equipment	(1,267)	(1,390)
Proceeds from sale of premises and equipment	869	17
Acquisition of equipment on operating leases	(2,486)	-
Net cash and cash equivalents (used in) provided by investing activities	<u>(61,605)</u>	<u>(36,210)</u>
<b>Cash Flows from Financing Activities</b>		
Net change in deposits	266,388	(19,003)
Repayments of subordinated debt	(1,777)	-
Investment by noncontrolling interest	-	400
Proceeds from FHLB Advances	33,000	75,000
Repayment of FHLB Advances	(33,000)	(75,000)
Distributions to noncontrolling interest	(1,381)	-
Repurchase of common stock	(112)	(109)
Net cash and cash equivalents provided by financing activities	<u>263,118</u>	<u>(18,712)</u>
<b>Net Change in Cash and Cash Equivalents</b>	218,976	(37,645)
<b>Cash and Cash Equivalents - Beginning of year</b>	45,275	82,919
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 264,251</u>	<u>\$ 45,275</u>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 10,058	\$ 8,909
<b>Supplemental Cash Flow Information - Cash paid for income taxes</b>	2,194	1,263
<b>Significant Noncash Transactions</b>		
Transfers from loans to other real estate owned	7,456	-

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies

#### ***Nature of Operations and Principles of Consolidation***

The consolidated financial statements include Oxford Bank Corporation and its wholly owned subsidiary, Oxford Bank ("Bank"), together referred to as the "Corporation." Oxford Bank includes its wholly owned subsidiary, Oxford Commercial Finance ("OCF"). Intercompany transactions and balances are eliminated in consolidation.

The Corporation provides financial services through its offices in suburban communities in Oakland, Lapeer, Genesee and Washtenaw counties in the state of Michigan. The Corporation provides a variety of financial services to individuals and small and medium-sized businesses through its branches. Its primary deposit products are saving, money markets, and term certificate accounts. Its primary lending products are commercial loans and commercial real estate loans, and, to a lesser extent, factoring receivables, commercial leasing, mortgage loans and consumer loans.

#### ***New business lines***

In April 2022, the Bank purchased the assets of FSW Southwest, a company that factored commercial receivables. The Corporation intends to grow this business line through its wholly owned subsidiary Oxford Commercial Finance.

In June 2022, the Bank's wholly owned subsidiary, OCF, entered into a joint venture with VFS, LLC to form VFSox, LLC. The purpose of the joint venture is to provide commercial leasing. OCF holds an 80% majority interest in the joint venture and VFS, LLC owns the remaining 20%. OCF shares profits and losses equally with VFS, LLC with regards to the performance of the joint venture. During 2025, the Corporation made the decision to discontinue originating new commercial leases in the VFSox venture. Additionally, \$7,763 in outstanding leases were sold back to VFS, LLC, at par, to reduce the Bank's overall exposure to the joint venture.

In October 2022, the Bank's wholly owned subsidiary, OCF entered into a joint venture with H.E.L.P. Financial Corporation (HELP) to form OBHELP, LLC. The purpose of this joint venture is to purchase loans to hospital patients to finance expenses of medical services rendered. OCF holds an 80% majority interest in the joint venture and HELP owns the remaining 20%. OCF shares profits and losses equally with HELP with regards to the performance of the joint venture.

In May 2024, the Bank's wholly owned subsidiary, OCF entered into a joint venture with Northview Equipment Finance, LLC to form NOX, LLC. The purpose of this joint venture is to provide term equipment financing loans. OCF holds an 80% majority interest in the joint venture and Northview Equipment Finance owns the remaining 20%. OCF shares profits and losses equally with Northview Equipment Finance with regards to the performance of the joint venture.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions based on information available. These estimates and assumptions affect the reported amounts in the consolidated financial statements and footnotes, and actual results could differ.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand and deposits with other financial institutions with maturities of 90 days or less. Net cash flows are reported for customer loan and deposit transactions and interest-bearing time deposits at other financial institutions.

**Note 1 – Summary of Significant Accounting Policies (Cont'd)**

**Interest-Bearing Time Deposits at Other Financial Institutions**

Interest-bearing time deposits at other financial institutions are carried at cost and are federally insured. Reported balances at December 31, 2025 are scheduled to mature in 2026 (\$496).

***Investment Securities***

Investment securities are classified as held-to-maturity and carried at cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available-for-sale when they might be sold before maturity. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization or accretion of purchase premiums or discounts. Premiums and discounts on securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-based securities where prepayments are anticipated. Premiums on callable investment securities are amortized to their earliest date. Gains and losses on sales are recorded on the trade date and are determined using the specific identification method.

Investment securities are placed on nonaccrual status at the time any principal or interest payments become greater than 89 days past due. Interest accrued but not received for an investment security placed on non-accrual is reversed against interest income.

***Allowance for Credit Losses - Held to Maturity Securities***

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity securities totaled \$3 and \$5 at December 31, 2025 and 2024, respectively and is included in accrued interest receivable and other assets in the consolidated balance sheets and is excluded from the estimate of credit losses.

With regard to obligations of states and political subdivisions, management monitors credit quality through the following indicators: (1) the rating of the bond if applicable, (2) the financial condition of the issuer, and (3) whether the issuer continues to make timely principal and interest payments under the contractual terms of the investment securities. At December 31, 2025 and 2024, there were no held to maturity securities that were past due or that were identified by management as having elevated credit risk.

***Allowance for Credit Losses – Available for Sale Securities***

For available-for-sale securities in an unrealized loss position, management first assesses whether it intends to sell or will be required to sell the security before recovery of its amortized cost basis. If either criteria is met, the securities amortized cost basis is written down to fair value through earnings. For available for sale securities that do not meet the aforementioned criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance for credit losses when management believes the un-collectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale securities totaled \$591 and 566 at December 31, 2025 and 2024 and is included in accrued interest receivable and other assets in the consolidated balance sheets and is excluded from the estimate of credit losses.

#### ***Loans Held for Sale***

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to earnings.

Loans held for sale may be sold with servicing rights released or retained. The carrying value of loans sold is reduced by the amount allocated to the servicing right. Gains and losses on loans are based upon the difference between the selling price and the carrying value of the related loan sold.

#### ***Loans***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled \$2,950 and \$3,022 at December 31, 2025 and 2024 and was reported in accrued interest receivable and other assets on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The accrual of interest on loans is discontinued at the time the loan is greater than 89 days past due unless the credit is well secured and in process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

#### ***Direct Financing Lease Receivables***

The results of the Corporation's equipment leasing activities are recorded within loans on the consolidated balance sheets. These direct financing leases provide for full recovery of the equipment cost over the term of the lease.

The Corporation's net investment in direct financing leases is comprised of the following elements: minimum lease payments receivable, the estimated unguaranteed residual value of the leased equipment at the lease termination dates, and unamortized initial direct costs, less unearned income. Estimated unguaranteed residual values are reviewed periodically to determine if the current estimate of the equipment's fair value appears to be below its recorded estimate. If required, residual values are adjusted downward through earnings to reflect adjusted estimates of fair market values. Upward adjustments to residual values are not permitted.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

Unearned income is the amount by which the minimum lease payments receivable plus the estimated unguaranteed residual value exceeds the cost of the leased equipment at the inception of the lease. Unearned income is amortized over the initial lease term to produce a constant rate of return on the net investment in the lease. Initial direct costs of acquiring a lease are capitalized when incurred and amortized over the life of the lease consistent with the method used to recognize interest income.

The Corporation evaluates the collectability of its lease receivables based upon certain factors, such as historical collection trends and aging categories. Lease receivables are written off against the allowance for credit losses when the receivable is determined to be uncollectible.

At December 31, 2025 and 2024, the amount of outstanding direct financing lease receivables was \$3,270 and \$12,466, respectively and is included in the commercial portfolio segment as these direct financing lease receivables share similar risk characteristics to that portfolio segment.

#### ***Allowance for Credit Losses - Loans***

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance for credit losses when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance for credit losses balance using relevant available information, internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Management has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Commercial (Discounted Cash Flow Method) - Loans to businesses that are sole proprietorships, partnerships, limited liability companies and corporations. These loans are for commercial, industrial, or professional purposes. The risk characteristics of these loans vary based on the borrowers business and industry as repayment is typically dependent on cash flows generated from the underlying business. Additionally, this portfolio segment includes factoring receivables which presents the risk that the debtors of our factoring clients will not pay their invoices that we have purchased and commercial leasing which presents the same risk as noted above regarding the ability of the borrowers business to generate enough cash flow to pay the lease. Neither of these lending areas are significant enough to the Corporation's loan portfolio to warrant separate segmentation in the allowance for credit losses.

Consumer (Discounted Cash Flow Method) - Term loans or lines of credit for the purchase of consumer goods, vehicles or more immediate general needs of the customer. The risk characteristics of the loans in this portfolio segment vary depending on the type of collateral but generally repayment is expected from an individual continuing to generate a cash flow that supports the calculated payment obligation. Secondary support could involve liquidation of collateral.

Home equity (Discounted Cash Flow Method) – These loans are for home improvement projects. The risk characteristics of the loans in this portfolio segment are similar to the risks noted below in the residential mortgage portfolio segment with the additional risk that these loans tend to be in a secondary lien position on the collateral.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

Residential mortgage (Discounted Cash Flow Method) – These are loans to purchase, construct or refinance single-family residences. The risks associated with this portfolio segment are dependent on the customer's ability to satisfy the payment obligation under the loan and often widely fluctuating market values of the underlying real estate. However, due to robust underwriting procedures and assessment of underlying residential mortgage property collateral, these risks are diminished.

Loans that do not share similar risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for estimated selling costs as appropriate.

When the discounted cash flow method is used to determine the allowance for credit losses, management does adjust the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting data and are unconditionally cancellable by the Corporation.

#### ***Equipment on Operating Leases***

Operating lease revenue consists of periodic rental payments that are recognized as revenue when due. The cost of equipment is recorded as leased assets and is depreciated on a straight-line basis over the lease term to the Corporation's estimate of the fair value of the equipment at lease termination. Revenue, depreciation expense, and the resulting profit margin are recorded on a straight-line basis. Initial direct costs related to operating leases are capitalized and amortized over the lease term using a straight-line method.

The Corporation follows the same accounting policy for unguaranteed residual values on operating leases as discussed under the direct financing lease receivables section above. No residual write-downs were recorded in 2025 and 2024 related to equipment on operating leases.

#### ***Allowance for Credit Losses on Off-Balance Sheet Credit Exposures***

Management estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

#### ***Concentration of Credit Risk***

Most of the Corporation's activities are with customers located within Michigan. Therefore, the Corporation's exposure to credit risk is significantly affected by changes in the economy of Michigan. The Corporation does not have any significant concentration within any one industry or with any one customer.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

#### ***Servicing Rights***

When loans are sold with servicing retained, servicing rights are initially recorded at fair value in gain on sale of loans in the consolidated statements of operations and comprehensive income. Fair value is based on market prices for comparable servicing contracts. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income – loan servicing income, net in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. The balance of servicing rights was \$423 and \$429 at December 31, 2025 and 2024, respectively and is included in accrued interest receivable and other assets in the consolidated balance sheets. The Corporation has determined there is no impairment of servicing rights at both December 31, 2025 and 2024.

Servicing fee income, which is included on the consolidated statements of operations and comprehensive income as noninterest income – loan servicing income, net is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of servicing rights is netted against servicing fee income. Gross servicing fees recognized were \$230 and \$313 for 2025 and 2024 respectively.

#### ***Transfers of Financial Assets***

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Corporation, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Corporation does not maintain effective control over the transferred assets.

#### ***Other Real Estate Owned***

Other Real Estate Owned (“ORE”) are assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at the fair value of the real estate, less estimated costs to sell, through an adjustment to the allowance for credit losses, if necessary. Subsequent to foreclosure, valuations are periodically performed by management, and write downs required by changes in estimated fair value less estimated selling costs are charged against earnings through a valuation allowance and reported in noninterest income – write-downs on other real estate owned in the consolidated statements of operations and comprehensive income.

#### ***Premises and Equipment***

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets.

#### ***Leases***

The Corporation enters into leases in the normal course of business primarily for financial centers and back-office operations locations. At December 31, 2025, the Corporation’s leases have remaining terms ranging from 2 to 7 years, some of which include renewal or termination options to extend the lease for up to 3 years. The Corporation’s leases do not include residual value guarantees or covenants.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

The Corporation includes lease extension options in the lease term if, after considering relevant economic factors, it is reasonably certain the Corporation will exercise the option. In addition, the Corporation has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Corporation has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the consolidated balance sheets.

The Corporation's leases were classified as operating leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

#### ***Federal Home Loan Bank (FHLB) Stock***

The Bank, as a member of the FHLB, is required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted stock, and periodically evaluated for impairment based on the ultimate recovery of par value. The Corporation records dividends in income in interest income-other in the consolidated statements of operations and comprehensive income.

#### ***Federal Reserve Bank (FRB) Stock***

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted stock, and periodically evaluated for impairment based on ultimate recovery of par value. The Corporation records dividends in income in interest income-other in the consolidated statements of operations and comprehensive income.

#### ***Bank Owned Life Insurance***

The Corporation has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the consolidated balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

#### ***Goodwill***

Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a business combination and determined to have an indefinite useful life is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Goodwill is the only intangible asset with an indefinite life on our consolidated balance sheets. The Corporation has selected September 30 for the annual impairment test date.

#### ***Loan Commitments***

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

#### ***Restricted Stock Units***

Under the Corporation's stock-based incentive plan, which is described more fully in Note 13, the Corporation may grant restricted stock awards to its directors, officers, and employees for shares of common stock. The Corporation recognizes compensation expense related to restricted stock units over the period the services are performed, generally defined as the vesting period.

#### ***Income Taxes***

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces the deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation has had no tax related interest or penalties recorded in both 2025 and 2024. Such interest and penalties would be included in income tax expense.

#### ***Comprehensive Income***

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale securities which is also recognized as separate component of stockholders' equity.

#### ***Loss Contingencies***

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the consolidated financial statements.

#### ***Subsequent Events***

Management evaluated subsequent events through May 11, 2026, which is the date the consolidated financial statements were available to be issued.

#### ***Fair Value***

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 1 – Summary of Significant Accounting Policies (Cont'd)

#### *Revenue Recognition*

ASC 606, Revenue from Contracts with Customers established a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Corporation's in-scope revenue streams consist primarily of service charges – deposits, ATM fee income, business banking income, commercial finance fee income, and certain revenue streams included in other, which are included in non-interest income on the consolidated statements of operations and comprehensive income. This revenue is recognized at the time a discrete service is provided to a customer, and the performance obligation is fulfilled.

#### *Reclassification*

Some items in the prior year consolidated financial statements were reclassified to conform to current presentation. Reclassifications had no effect on prior year net income or total stockholders' equity.

#### *Operating Segments*

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Corporation-wide basis. Discrete financial information is not available other than on a Corporation-wide basis. Accordingly, all of the finance service operations are considered by management to be aggregated in one reportable operating segment. See further discussion on operating segments in Note 16.

#### *Adoption of New Accounting Standards*

In December, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). This ASU also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The adoption of this ASU in 2025 was done on a prospective basis and did not have an impact on our financial results for the year-ending December 31, 2025; however, the adoption did update or add disclosures related to income tax expense - see Note 10 for further details.

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2025, and 2024  
(Dollar amounts in thousands)

### Note 2 – Investment Securities

The following tables summarize the amortized cost and fair value of investment securities - available for sale and investment securities - held to maturity at December 31, 2025 and 2024 and the corresponding amounts of gross unrealized gains and losses recognized in accumulate other comprehensive loss and gross unrecognized gains and losses:

	2025			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
U.S. Treasury securities	\$ 74,153	\$ 206	\$ (211)	74,148
U.S. government agency securities	500	-	(22)	478
Obligations of states and political subdivisions	14,018	-	(239)	13,779
Mortgage backed securities:				
residential	26,495	119	(1,371)	25,243
Collateralized mortgage obligations	1,762	-	(141)	1,621
Corporate debt securities	500	-	-	500
Total available-for-sale securities	<u>\$ 117,428</u>	<u>\$ 325</u>	<u>\$ (1,984)</u>	<u>\$ 115,769</u>
Held to maturity - Obligations of states and political subdivisions	<u>\$ 585</u>	<u>\$ 4</u>	<u>\$ (20)</u>	<u>\$ 569</u>

	2024			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
U.S. Treasury securities	\$ 64,003	\$ -	\$ (1,105)	\$ 62,898
U.S. government agency securities	10,486	-	(272)	10,214
Obligations of states and political subdivisions	21,518	-	(799)	20,719
Mortgage backed securities:				
residential	17,373	-	(2,129)	15,244
Collateralized mortgage obligations	2,048	-	(213)	1,835
Corporate debt securities	500	-	-	500
Total available-for-sale securities	<u>\$ 115,928</u>	<u>\$ -</u>	<u>\$ (4,518)</u>	<u>\$ 111,410</u>
Held to maturity - Obligations of states and political subdivisions	<u>\$ 1,160</u>	<u>\$ 5</u>	<u>\$ (55)</u>	<u>\$ 1,110</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025, and 2024  
(Dollar amounts in thousands)

#### Note 2 – Investment Securities (Cont'd)

At December 31, 2025, the Corporation holds collateralized mortgage obligations and mortgage-backed securities: residential. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties; therefore, these securities not due at a single maturity date are shown separately. The amortized cost and fair value of investment securities by contractual maturity at December 31, 2025 are as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 38,529	\$ 38,346	\$ 10	\$ 10
Due in two through five years	41,273	41,220	550	532
Due in five through ten years	9,369	9,339	25	27
Total	89,171	88,905	585	569
Collateralized mortgage obligations	1,762	1,621	-	-
Mortgage-backed securities: residential	26,495	25,243	-	-
Total	\$ 117,428	\$ 115,769	\$ 585	\$ 569

There were no sales of investment securities - available for sale during the years ending December 31, 2025 and 2024.

Investment securities pledged at December 31, 2025 and 2024 had a carrying amount of \$95,672 and \$45,266, respectively, and were pledged to secure borrowing facilities of the Corporation.

At December 31, 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of total stockholders' equity.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025, and 2024  
(Dollar amounts in thousands)

#### Note 2 – Investment Securities (Cont'd)

Information pertaining to investment securities – available for sale with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	2025					
	Less than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:						
U.S. Treasury securities	\$ (35)	\$18,235	\$ (176)	\$36,356	\$ (211)	\$ 54,591
U.S. government agency securities	-	-	(22)	478	(22)	478
Collateralized mortgage obligations	-	-	(141)	1,621	(141)	1,621
Obligations of states and political subdivisions	-	-	(239)	13,779	(239)	13,779
Mortgage-backed securities: residential	(17)	2,840	(1,354)	13,610	(1,371)	16,450
Total available for sale	<u>\$ (52)</u>	<u>\$21,075</u>	<u>\$(1,932)</u>	<u>\$65,844</u>	<u>\$(1,984)</u>	<u>\$86,919</u>

	2024					
	Less than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:						
U.S. Treasury securities	\$(137)	\$8,818	\$ (968)	\$ 54,080	\$ (1,105)	\$62,898
U.S. government agency securities	-	-	(272)	10,214	(272)	10,214
Collateralized mortgage obligations	-	-	(213)	1,835	(213)	1,835
Obligations of states and political subdivisions	(1)	358	(798)	20,361	(799)	20,719
Mortgage-backed securities: residential	-	-	(2,129)	15,244	(2,129)	15,244
Total available for sale	<u>\$(138)</u>	<u>\$9,176</u>	<u>\$(4,380)</u>	<u>\$101,734</u>	<u>\$(4,518)</u>	<u>\$110,910</u>

#### **Unrealized losses on Investment Securities**

Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are due to increased market interest rates since the dates of purchase. The fair values are expected to recover as the bonds approach their maturity dates. There are 87 investment securities in an unrealized loss position at December 31, 2025. There were 112 investment securities in an unrealized loss position as of December 31, 2024.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 2 – Investment Securities (Cont'd)

##### *Credit Losses on Investment Securities*

The Corporation evaluates all investment securities on a quarterly basis to determine if an allowance for credit losses and corresponding credit loss expense should be recorded. Consideration is given to the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value of amortized cost basis. The majority of the Corporation's investment securities - available for sale are with the U.S. Government or with agencies supported or sponsored by the U.S. Government where the risk of credit loss is considered to be remote. There were no securities available for sale or securities held to maturity that had an allowance for credit loss at both December 31, 2025 and 2024 or any credit loss expense recorded during the years-ending December 31, 2025 and 2024.

#### Note 3 - Loans and Allowance for Credit Losses

Loans at December 31 year-end were as follows:

	2025	2024
Commercial	\$ 611,274	\$ 566,951
Consumer	29,356	21,893
Home equity	12,165	11,790
Residential mortgage	13,967	16,431
Total loans	\$ 666,762	\$ 617,065
Less:		
Allowance for credit losses	8,037	8,614
Net deferred loan fees	5,391	3,581
Loans, net	\$ 653,335	\$ 604,870

In the ordinary course of business, the Corporation has granted loans to principal officers and directors and their affiliates amounting to \$1,469 and \$1,687 as of December 31, 2025 and 2024, respectively.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024:

	<u>Commercial</u>	<u>Consumer</u>	<u>Home Equity</u>	<u>Residential Mortgage</u>	<u>Total</u>
Allowance for credit losses:					
Beginning balance	\$ 8,042	\$ 111	\$ 247	\$ 214	\$ 8,614
Charge-offs	(3,268)	(1)	-	-	(3,269)
Recoveries	509	-	-	5	514
Provision for credit losses	2,314	36	(104)	(68)	2,178
Ending balance	<u>\$ 7,597</u>	<u>\$ 146</u>	<u>\$ 143</u>	<u>\$ 151</u>	<u>\$ 8,037</u>

	<u>Commercial</u>	<u>Consumer</u>	<u>Home Equity</u>	<u>Residential Mortgage</u>	<u>Total</u>
Allowance for credit losses:					
Beginning balance	\$ 5,675	\$ 33	\$ 186	\$ 191	\$ 6,085
Charge-offs	(1,000)	-	-	-	(1,000)
Recoveries	179	1	10	13	203
Provision for credit losses	3,188	77	51	10	3,326
Ending balance	<u>\$ 8,042</u>	<u>\$ 111</u>	<u>\$ 247</u>	<u>\$ 214</u>	<u>\$ 8,614</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due greater than 89 days and still accruing at December 31, 2025 and 2024:

December 31, 2025:

	Nonaccrual With No Allowance for Credit Loss	Total Nonaccrual	Loans Past Due Greater Than 89 Days and Still Accruing
Commercial	\$ 12,602	\$ 15,423	\$ -
Consumer	-	-	-
Home equity	3	3	-
Residential mortgage	114	114	-
Total	<u>\$ 12,719</u>	<u>\$ 15,540</u>	<u>\$ -</u>

December 31, 2024:

	Nonaccrual With No Allowance for Credit Loss	Total Nonaccrual	Loans Past Due Greater Than 89 Days and Still Accruing
Commercial	\$ 1,456	\$ 9,550	\$ -
Consumer	22	22	-
Home equity	-	-	-
Residential mortgage	257	257	-
Total	<u>\$ 1,735</u>	<u>\$ 9,829</u>	<u>\$ -</u>

Interest income recognized on nonaccrual loans during the years-ended December 31, 2025 and 2024 was not material.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The following tables present the amortized cost basis of collateral-dependent loans by portfolio segment at December 31, 2025 and 2024:

2025:

	Real Estate	Vacant Land	All Business Assets	Accounts Receivable and Inventory	Machinery & Equipment
Commercial	\$ 12,313	\$ 12	\$ 3,645	\$ 1,343	\$ -
Consumer	-	-	-	-	-
Home Equity	3	-	-	-	-
Residential Mortgage	100	-	-	-	-
Total	<u>\$ 12,416</u>	<u>\$ 12</u>	<u>\$ 3,645</u>	<u>\$ 1,343</u>	<u>\$ -</u>

2024:

	Real Estate	Vacant Land	All Business Assets	A/R and Inventory	Machinery & Equipment
Commercial	\$ 10,288	\$ 12	\$ 3,734	\$ 299	\$ 2,841
Consumer	-	-	-	-	-
Home Equity	22	-	-	-	-
Residential Mortgage	540	-	-	-	-
Total	<u>\$ 10,850</u>	<u>\$ 12</u>	<u>\$ 3,734</u>	<u>\$ 299</u>	<u>\$ 2,841</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The following tables present the aging of the amortized cost basis in past-due loans at December 31, 2025 and 2024 by portfolio segment:

2025:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days	Total Past Due	Current	Total Loans
Commercial	\$ 381	\$ 1,590	\$ 15,423	\$ 17,394	\$593,880	\$611,274
Consumer	-	-	-	-	29,356	29,356
Home equity	-	-	3	3	12,162	12,165
Residential mortgage	173	-	114	287	13,680	13,967
Total	<u>\$ 554</u>	<u>\$ 1,590</u>	<u>\$ 15,540</u>	<u>\$ 17,684</u>	<u>\$ 649,078</u>	<u>\$ 666,762</u>

2024:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days	Total Past Due	Current	Total Loans
Commercial	\$ 494	\$ 1,192	\$ 9,562	\$ 11,248	\$555,703	\$566,951
Consumer	-	-	-	-	21,893	21,893
Home equity	90	19	22	131	11,659	11,790
Residential mortgage	405	379	245	1,029	15,402	16,431
Total	<u>\$ 989</u>	<u>\$ 1,590</u>	<u>\$ 9,829</u>	<u>\$ 12,408</u>	<u>\$ 604,657</u>	<u>\$ 617,065</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The Corporation could modify loans to borrowers in financial distress by providing modifications to the loans in the form of principal forgiveness, term extensions, a more than insignificant payment delay or interest rate reduction. The following tables present the amortized cost basis of loans at December 31, 2025 and December 31, 2024, by portfolio segment and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below. The loan modified during 2025 received an interest rate reduction which was part of a court approved reorganization plan and was current as of December 31, 2025. The loan modified during 2024 received a 6 month payment deferral and was current as of December 31, 2024.

2025

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Commercial	\$ -	\$ -	\$ 456	\$ -	\$ -	\$ -	0.1%
Consumer	-	-	-	-	-	-	0.0%
Home equity	-	-	-	-	-	-	0.0%
Residential mortgage	-	-	-	-	-	-	0.0%
Total	\$ -	\$ -	\$ 456	\$ -	\$ -	\$ -	0.1%

2024

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Commercial	\$ -	\$ 1,598	\$ -	\$ -	\$ -	\$ -	0.3%
Consumer	-	-	-	-	-	-	0.0%
Home equity	-	-	-	-	-	-	0.0%
Residential mortgage	-	-	-	-	-	-	0.0%
Total	\$ -	\$ 1,598	\$ -	\$ -	\$ -	\$ -	0.3%

There were no loans in which the borrower was in payment default during the years-ended December 31, 2025 and 2024 related to loans that were modified within the previous twelve months

**Note 3 - Loans and Allowance for Credit Losses (Cont'd)**

***Credit Quality Indicators:***

The Corporation categorizes loans into credit risk categories based on relevant financial information about the ability of borrowers to service their loan such as: current financial information, historical payment experience, credit documentation, public information, and current economic, among other factors. The Corporation analyzes loans individually to classify the loans as to credit risk. The Corporation uses the following definitions for credit risk ratings:

***Pass.*** Credits not covered by the definitions below are pass credits, which are not considered to be adversely rated.

***Special Mention.*** Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Corporation's credit position at some future date.

***Substandard.*** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the loan. They are characterized by the distinct possibility that the Corporation may sustain some loss if the deficiencies are not corrected.

***Doubtful.*** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

***Loss.*** Loans to borrowers that are deemed incapable of repayment or who's debt (all, or a portion) to the Corporation have been discharged in bankruptcy and are in the process of being charged-off or are charged-off.

The Corporation considers the performance of the homogeneous loan portfolio and its impact on the allowance for credit losses. For consumer, home equity, and residential mortgage portfolio segments, the Corporation also evaluates credit quality based on the aging status of the loan, which defines non-performing loans as loans on non-accrual status or loans greater than 89 days past due.

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

Based on the most recent analysis performed at December 31, 2025 and 2024, the risk category of loans by portfolio segment is as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Total</u>
<u>December 31, 2025</u>							
Commercial							
Pass	\$120,627	\$87,685	\$ 85,048	\$ 87,879	\$ 54,141	\$ 156,614	\$ 591,994
Special mention	-	-	-	-	163	1,926	2,089
Substandard	-	3,971	503	-	4,960	6,605	16,039
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	441	104	607	1,152
Total commercial loans	<u>\$120,627</u>	<u>\$91,656</u>	<u>\$ 85,551</u>	<u>\$ 88,320</u>	<u>\$ 59,368</u>	<u>\$ 165,752</u>	<u>\$ 611,274</u>
Current Period gross write offs	\$ -	\$ 33	\$ 514	\$ 1,456	\$ 859	\$ 406	\$ 3,268
Consumer							
Performing	\$ 23,592	\$ 277	\$ 311	\$ 580	\$ 45	\$ 4,550	\$ 29,356
Non-performing	-	-	-	-	-	-	-
Total consumer loans	<u>\$ 23,592</u>	<u>\$ 277</u>	<u>\$ 311</u>	<u>\$ 580</u>	<u>\$ 45</u>	<u>\$ 4,550</u>	<u>\$ 29,356</u>
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home equity							
Performing	\$ 776	\$ 1,868	\$ 2,811	\$ 2,485	\$ 3,887	\$ 335	\$ 12,162
Non-performing	-	-	-	-	-	3	3
Total home equity loans	<u>\$ 776</u>	<u>\$1,868</u>	<u>\$ 2,811</u>	<u>\$ 2,485</u>	<u>\$ 3,887</u>	<u>\$ 338</u>	<u>\$ 12,165</u>
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential mortgage							
Performing	\$ 1,424	\$ -	\$ 264	\$ 2,252	\$ -	\$ 9,910	\$ 13,850
Non-performing	-	-	-	-	-	117	117
Total residential mortgage loans	<u>\$ 1,424</u>	<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 2,252</u>	<u>\$ -</u>	<u>\$ 10,026</u>	<u>\$ 13,967</u>
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Total</u>
December 31, 2024						
<b>Commercial</b>						
Pass	\$ 97,317	\$ 111,078	\$ 97,566	\$ 66,605	\$ 171,500	\$ 544,066
Special mention	-	-	465	2,685	4,775	7,925
Substandard	-	-	3,483	3,483	7,963	14,929
Doubtful	-	-	-	-	-	-
Loss	-	-	32	-	-	32
Total commercial loans	\$ 97,317	\$ 111,078	\$ 101,546	\$ 72,773	\$ 184,238	\$ 566,951
Current Period gross write offs	\$ -	\$ -	\$ 867	\$ -	\$ 133	\$ 1,000
<b>Consumer</b>						
Performing	\$ 17,038	\$ 605	\$ 723	\$ 136	\$ 3,391	\$ 21,893
Non-performing	-	-	-	-	-	-
Total consumer loans	\$ 17,038	\$ 605	\$ 723	\$ 136	\$ 3,391	\$ 21,893
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Home equity</b>						
Performing	\$ 2,966	\$ 3,562	\$ 1,944	\$ 647	\$ 2,404	\$ 11,523
Non-performing	-	-	-	-	267	267
Total home equity loans	\$ 2,966	\$ 3,562	\$ 1,944	\$ 647	\$ 2,671	\$ 11,790
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Residential mortgage</b>						
Performing	\$ 518	\$ 267	\$ 3,781	\$ -	\$ 11,597	\$ 16,163
Non-performing	-	-	-	-	268	268
Total residential mortgage loans	\$ 518	\$ 267	\$ 3,781	\$ -	\$ 11,865	\$ 16,431
Current Period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 3 - Loans and Allowance for Credit Losses (Cont'd)

The Corporation's loan portfolio includes lease financing receivables consisting of direct financing leases on equipment. The types of equipment financed include technology or IT related assets, manufacturing equipment, transportation equipment (no titled vehicles), construction equipment, renewable energy equipment, medical or lab equipment. Net investment in lease financing receivables at December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Gross lease payments receivable	\$ 2,555	\$ 13,506
Estimated unguaranteed residual values	255	1,148
Gross investment in lease financing receivables	2,810	14,654
Net deferred origination costs	90	562
Unearned income	(242)	(2,750)
Net investment in lease financing receivables	<u>\$ 2,658</u>	<u>\$ 12,466</u>

The future gross lease rental payments due from customers on direct financing leases at December 31, 2025 was as follows:

2026	\$ 264
2027	2,161
2028	130
	<u>\$ 2,555</u>

#### Note 4 – Other Real Estate Owned

Other real estate owned activity was as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ -	\$ -
Loans transferred to other real estate owned	7,456	-
Write-downs on other real estate owned through valuation allowance	(1,859)	-
Sales of other real estate owned	(146)	-
End of year	<u>\$ 5,451</u>	<u>\$ -</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 4 – Real Estate Owned (Cont'd)

At December 31, 2025 and 2024 there were no residential real estate properties for which formal foreclosure proceedings were in process.

Activity in the valuation allowance was as follows:

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ -	\$ -
Provision for valuation allowance charged to expense	1,859	-
Reductions from sales of real estate owned	-	-
Direct write-downs	-	-
End of year	<u>\$ 1,859</u>	<u>\$ -</u>

Expenses related to other real estate owned include:

	<u>2025</u>	<u>2024</u>
Net loss on sale of other real estate owned	\$ 56	\$ -
Write-downs of other real estate owned	1,859	-
Operating expenses, net of rental income	360	-
	<u>\$ 2,275</u>	<u>\$ -</u>

#### Note 5 - Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Note 5 - Fair Value (Cont'd)**

The Corporation used the following methods and significant assumptions to estimate fair value:

**Investment Securities:** The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price investment securities that are not actively traded, values investment securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

**Collateral Dependent Loans:** The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

**Other Real Estate Owned:** Nonrecurring adjustments to certain commercial and residential mortgage real estate properties classified as other real estate owned are measured at the lower of carrying amount or fair value, less estimated costs to sell. Fair values are generally based on third party appraisals of the property. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available and management may make further adjustments to appraised values based upon current market conditions. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for collateral dependent loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Corporation. Management reviews the assumptions and approaches utilized in the appraisal. Management periodically evaluates the appraised values and will discount a property's appraised value to account for a number of factors including but not limited to the cost of liquidating the collateral, the age of the appraisal, observable deterioration since the appraisal, or other factors unique to the property.

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

### Note 5 - Fair Value (Cont'd)

Assets Measured at Fair Value on a Recurring Basis  
at December 31, 2025

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
<b>Assets</b>				
Available-for-sale debt securities:				
U.S. Treasury and agency securities	\$ 74,149	\$ -	\$ -	\$ 74,149
U.S. Government agency securities	-	478	-	478
Obligations of states and political subdivisions	-	13,779	-	13,779
Corporate debt securities	-	-	500	500
Mortgage-backed securities: residential	-	25,242	-	25,242
Collateralized mortgage obligations	-	1,621	-	1,621
Total assets	\$ 74,149	\$ 41,120	\$ 500	\$ 115,769

Assets Measured at Fair Value on a Recurring Basis  
at December 31, 2024

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
<b>Assets</b>				
Available-for-sale debt securities:				
U.S. Treasury and agency securities	\$ 62,898	\$ -	\$ -	\$ 62,898
U.S. Government agency securities	-	10,214	-	10,214
Obligations of states and political subdivisions	-	20,719	-	20,719
Corporate debt securities	-	-	500	500
Mortgage-backed securities residential	-	15,244	-	15,244
Collateralized mortgage obligations	-	1,835	-	1,835
Total assets	\$ 62,898	\$ 48,013	\$ 500	\$ 111,410

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 5 - Fair Value (Cont'd)

The Corporation also has assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis. These assets include collateral dependent loans and other real estate owned. The Corporation has estimated the fair values of these assets based primarily on Level 3 inputs. Collateral dependent loans and other real estate owned are generally valued using the fair value of collateral provided by third-party appraisals. These valuations include assumptions related to cash flow projections, discount rates, and recent comparable sales. The numerical range of unobservable inputs for these valuation assumptions is not meaningful.

Assets Measured at Fair Value on a Nonrecurring Basis  
at December 31, 2025

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
Collateral dependent loans				
Commercial	\$ -	\$ -	\$ 4,315	\$ 4,315
Residential mortgage	-	-	279	279
Total Loans	-	-	10,045	10,045
Other real estate owned	-	-	5,451	5,451

Assets Measured at Fair Value on a Nonrecurring Basis  
at December 31, 2024

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Collateral dependent loans				
Commercial	\$ -	\$ -	\$ 4,004	\$ 4,004
Residential mortgage	-	-	270	270
Total Loans	-	-	4,274	4,274

Collateral dependent loans with specific allocations of the allowance for credit losses based on the fair value of collateral had a principal balance of \$5,234 with specific allocations of the allowance for credit losses totaling \$640 resulting in a recovery of provision for credit losses of \$322 for the year-ended December 31, 2025. Collateral dependent loans that are measured for impairment using the fair value of the collateral had a principal balance of \$5,236, with a valuation allowance of \$962 at December 31, 2024, resulting in an additional provision for credit losses of \$842 for the year ended December 31, 2024.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 5 - Fair Value (Cont'd)

The carrying amounts and fair values and fair value levels of financial instruments, not presented elsewhere, are as follows:

	Fair Value Level	2025		2024	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial Assets</b>					
Cash and cash equivalents	1	\$264,251	\$264,251	\$ 45,275	\$ 45,275
Interest-bearing time deposits at					
other financial institutions	2	496	487	999	960
Investment securities - Held to maturity	2	585	569	1,160	1,110
Loans - net of allowance for credit losses	3	653,335	644,958	604,870	593,373
FHLB Stock	*	900	n/a	900	n/a
Federal Reserve Stock	*	2,545	n/a	1,607	n/a
Accrued interest receivable	2	2,950	2,950	3,022	3,022
<b>Financial Liabilities</b>					
Deposits - Demand	1	827,144	827,144	556,891	556,891
Deposits - Time	2	126,170	125,859	130,035	129,640
Accrued interest payable	2	1,128	1,128	549	549
Subordinated debt	2	13,835	13,172	15,779	14,927

\*Federal Reserve and FHLBi Stock is not readily transferable, and it is not practical to determine a fair value.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 6 - Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows at December 31:

	2025	2024
Land	\$ 3,470	\$ 3,530
Buildings, building and leasehold improvements	7,091	10,342
Furniture, fixtures, and equipment	2,218	7,480
Vehicles	37	37
Construction in progress	265	1,178
Total cost	13,081	22,567
Accumulated depreciation	(4,117)	(13,331)
Net premises and equipment	\$ 8,964	\$ 9,236

Depreciation expense for 2025 and 2024 totaled approximately \$925 and \$676, respectively.

In June 2025, the Corporation sold the Lake Orion branch location. The sale of the land and building generated a gain of \$714 which is included in gain on disposal of premises and equipment in the consolidated statements of operations and comprehensive income. The Corporation is still dedicated to the Lake Orion area and will be leasing a building for the branch once the development of the building has been completed sometime in 2026.

#### Note 7 - Deposits

Time deposits that meet or exceed the FDIC Insurance limit of \$250 at December 31, 2025 and 2024 totaled \$24,871 and \$48,234, respectively.

At December 31, 2025, the scheduled maturities of time deposits are as follows:

Years Ending	Amount
2026	\$ 118,953
2027	5,526
2028	946
2029	280
2030	405
Thereafter	60
Total	\$ 126,170

At December 31, 2025, and 2024, deposit balances from officers and directors of the Corporation totaled \$8,311 and \$14,731, respectively.

#### Note 8 – Borrowings

At December 31, 2025 and 2024, the Corporation has entered into a discount window agreement with the Federal Reserve Bank for advances up to \$34,403 and \$7,194, respectively. The interest rate on the advances is based on the quoted Federal Reserve discount window rates (effective rate of 3.75 and 4.50 percent at December 31, 2025 and 2024, respectively). These advances are secured by a collateral pledge agreement under which the Corporation had pledged loans and securities with a carrying value of \$37,810 and \$9,405 at December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the Corporation had no outstanding advances from the Federal Reserve Bank.

The Corporation has the ability to draw on a federal funds facilities with two unrelated financial institutions that can be used for overnight borrowing up to \$30,000. The facilities are unsecured and are provided on a discretionary basis. At December 31, 2025 and 2024, the Corporation had \$114 and \$0, respectively, outstanding on the federal funds facility which is included in accrued interest payable and other liabilities in the consolidated balance sheets.

The Corporation has an agreement with an unrelated financial institution that allows for advances of up to \$5,000 under a revolving line of credit. The note is collateralized by 80,000 shares of the Bank's stock and cash held at the unrelated financial institution. At both December 31, 2025 and 2024, there were no outstanding balance on the line of credit.

The Corporation has the ability obtain fixed and variable-rate advances with the FHLB. At December 31, 2025 and 2024, advances are supported by investment collateral with a fair value of \$76,247 and \$62,979, respectively. This collateral allows for advances of up to \$73,431 and \$42,410, respectively. At December 31, 2025 and 2024, there were no outstanding advances with the FHLB.

On September 30, 2021, the Corporation issued \$16,000 in subordinated debentures. The offering costs were \$328 and are being amortized over the 10-year life. During 2025, \$2,000 was repurchased at a discount and retired resulting in a gain on extinguishment of subordinated debt of \$223 as noted as a separate line item on the consolidated statements of operations and comprehensive income for the year-ended December 31, 2025. At December 31, 2025, there was \$14,000 that remained outstanding from the original 2021 issuance. The unamortized costs at December 31, 2025 and 2024 were \$165 and \$221 respectively. These debentures mature on October 1, 2031 and bear interest at a fixed rate of 3.25% through October 1, 2026 and then convert to a floating rate of SOFR + 245 basis points for the remainder of the note. The notes are redeemable at the option of the Corporation after October 1, 2026.

The subordinated debentures may be included in regulatory capital (with certain limitations) under current regulatory guidelines and interpretations.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 9 – Leases

The Corporation uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Corporation's incremental borrowing rate is based on the FHLB advance rate, adjusted for the lease term and other factors.

Right-of-use assets, lease liabilities by lease type, and the associated consolidated balance sheet classifications are as follows:

	<u>Consolidated Balance Sheet Classification</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Right-of-use assets:			
Operating Leases	Right of use asset	\$ 2,498	\$ 3,002
Total right of use asset		<u>\$ 2,498</u>	<u>\$ 3,002</u>
Lease liabilities:			
Operating Leases	Lease liabilities	\$ 2,498	\$ 3,002
Total lease liabilities		<u>\$ 2,498</u>	<u>\$ 3,002</u>

#### **Lease Expense**

The components of total lease cost were as follows for the period ending:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Operating lease cost	\$ 736	\$ 686
Total lease cost	<u>\$ 736</u>	<u>\$ 686</u>

#### **Lease Obligations**

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025, are as follows:

	<u>Operating Leases</u>
2026	\$ 644
2027	655
2028	566
2029	443
2030	296
Thereafter	117
Total undiscounted lease payments	<u>2,721</u>
Less: imputed interest	(223)
Net lease liabilities	<u>\$ 2,498</u>

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 9 – Leases (Cont'd)

##### Supplemental Lease Information:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Operating lease weighted average remaining lease term (years)	7	8
Operating lease weighted average discount rate	5.00%	5.00%
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ (736)	\$ (686)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 246

#### Note 10 – Income Taxes

Pretax income is entirely related to domestic activities of the Corporation did not have any foreign operations.

Income tax expense (benefit) from continuing operations was as follows:

	<u>2025</u>	<u>2024</u>
Current Expense		
Federal	\$ 2,829	\$ 3,072
State	98	185
Deferred Expense		
Federal	(389)	(488)
State	-	-
Total income tax expense	<u>\$ 2,538</u>	<u>\$ 2,769</u>

An analysis of the difference between applying the United States federal tax rate to income before taxes and the effective tax rate from operations in accordance with the adoption of ASU 2023-09 follows:

	2025	
	<u>Amount</u>	<u>Percent</u>
Federal statutory income tax	2,838	21.00%
Effect of:		
State and local income taxes, net of federal benefit (a)	77	0.57%
Nontaxable or nondeductible items		
Tax Exempt Interest Income net of TEFRA	(57)	-0.42%
Bank Owned Life Insurance	(80)	-0.59%
Other Items	18	0.13%
Other	<u>(258)</u>	<u>-1.91%</u>
Total income tax expense	<u>\$ 2,538</u>	<u>18.78%</u>

(a) State taxes in California and New Jersey make up the majority (greater than 50%) of the tax effect in this category.

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

### Note 10 – Income Taxes (Cont'd)

An analysis of the difference between applying the United States federal tax rate to income before taxes and the effective tax rate prior to the adoption of ASU 2023-09 follows:

	2024
Income tax expense, computed at 21%	\$ 2,673
Effect of nondeductible expenses	25
Effect of tax-exempt securities	(62)
Bank owned life insurance	(76)
Other	209
	<u>209</u>
Total income tax expense	<u>\$ 2,769</u>

Breakdown of income tax payments was as follows:

	2025
Federal income tax payments	\$ 2,107
State and local income tax payments	87
	<u>87</u>
Total income tax payments	<u>\$ 2,194</u>

The Corporation did not have any income tax expense (benefit) in any foreign jurisdiction.

The details of the net deferred tax assets, which is included in accrued interest receivable and other assets in the consolidated balance sheets are as follows:

	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 1,594	\$ 1,683
Off balance sheet credit exposures	104	62
Discount on SBA loans	107	108
Unrealized losses on investment securities available for sale	348	949
Loan costs	177	141
Lease liability	525	630
Tax credit carryforward	-	692
Nonaccrual Loan Interest	194	410
Deferred Revenue (prepaid lease income)	225	178
Other real estate owned valuation allowance	390	-
Accrued Bonuses	312	-
Other	238	278
	<u>4,214</u>	<u>5,131</u>
Gross deferred tax assets		
Deferred tax liabilities:		
Depreciation	(939)	(848)
Federal Home Loan Bank dividend	(15)	(15)
Right of use asset	(525)	(630)
Goodwill	(358)	(358)
Partnership Investments	(539)	(508)
Other	(12)	(42)
	<u>(2,388)</u>	<u>(2,401)</u>
Gross deferred tax liabilities		
Net deferred tax asset	<u>\$ 1,826</u>	<u>\$ 2,730</u>

**Note 10 – Income Taxes (Cont’d)**

In the ordinary course of business, the Corporation has entered into certain transactions that have tax consequences. From time to time, the Internal Revenue Service (IRS) questions and/or challenges the tax position taken by the Corporation with respect to those transactions. The Corporation believes that its tax returns are filed based upon applicable statutes, regulations, and case law in effect at the time of the transactions. The IRS, an administrative authority of a court, if presented with the transactions, could disagree with the Corporation's interpretation of the tax law.

The Corporation has no unrecognized tax benefits. Federal tax years from 2022 through the current year remain open to examination. The Corporation does not believe that the results from any examination of these open years would have a material adverse effect on the Corporation.

**Note 11 - Employee Benefit Plans**

The Corporation maintains a noncontributory profit-sharing plan for all eligible employees. Contributions by the Corporation are discretionary in such amounts as the board of directors may determine. The Corporation did not make a discretionary contribution in either 2025 or 2024.

The Corporation also has a 401(k) plan. Eligible employees deferred a portion of their salary. Matching contributions totaled \$470 and \$451 during the years-ended December 31, 2025 and 2024, respectively.

**Note 12 – Off-balance-sheet Activities**

***Credit-related Financial Instruments***

The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of amount recognized in the consolidated balance sheet.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

***Contract Amounts***

At December 31, 2025, and 2024, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2025	2024
	<u>          </u>	<u>          </u>
Commitments to grant loans	\$ 37,786	\$ 43,693
Unfunded commitments under lines of credit	\$118,746	\$169,351
Commercial and standby letters of credit	\$ 200	\$ 200

#### Note 12 – Off-balance-sheet Activities (Cont'd)

Commitments to grant loans are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained which is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under lines of credit includes commercial lines of credit, revolving credit lines, and overdraft protection agreements and are commitments for possible future extensions of credit to existing customers. These lines of credit, are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Corporation is committed.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments if deemed necessary.

#### Note 13 - Equity Compensation

At December 31, 2025 and 2024, the Corporation has two share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was \$507 and \$420 for 2025 and 2024, respectively. The total income tax benefit recognized in the consolidated statements of operations and comprehensive income for share-based compensation arrangements was \$106 and \$88 for 2025 and 2024, respectively.

The Corporation's equity compensation plan (the "Plan"), which is stockholder approved, permits the grant of restricted shares to its employees. The Corporation believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Corporation's stock at the date of grant; those option awards generally vest based on the number of years of continuous service and have various contractual terms. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan). Grants under the Plan can be in the form of restricted stock awards or restricted stock units.

When calculating the annual compensation expense, the Corporation has elected not to estimate forfeitures and instead accounts for forfeitures as they occur.

The grants under the plan are designed to reward key executives for their contributions to the Corporation's success. Each grant is adjusted subsequent to the award based upon the Corporation's performance during a specified performance period and subject to performance measures. The award may be adjusted based upon performance against the targeted performance measures from 50% to 100% of the original grant. The grants vest after a three-year period.

## Oxford Bank Corporation and Subsidiary

### Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 13 - Equity Compensation (Cont'd)

A summary of nonvested shares under the Plan for the year ended, December 31, 2025, is below:

Nonvested Shares	Restricted Stock Units	
	Number of Shares	Weighted-average Grant Date Fair Value
Nonvested at January 1, 2024	46,357	\$ 16.94
Granted	19,679	31.80
Vested	(13,497)	30.41
Forfeited or expired	(3,519)	20.63
Nonvested at December 31, 2024	49,020	\$ 30.05
Granted	17,498	34.02
Vested	(12,577)	30.15
Forfeited or expired	(3,615)	31.94
Nonvested at December 31, 2025	50,326	\$ 31.56

At December 31, 2025, and 2024, there were no nonvested restricted stock awards. At December 31, 2025, there were 50,326 restricted stock units outstanding with an intrinsic value of \$500. At December 31, 2024, there were 49,020 restricted stock units outstanding with an intrinsic value of \$44. During 2025 and 2024, the vesting of restricted stock units resulted in the issuance of 12,577 and 13,497 shares of common stock, respectively.

At December 31, 2025, there was \$805 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a period of three years.

#### Note 14 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Holding Company.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards. At December 31, 2025, and 2024, the Bank's retained earnings available for the payment of dividends, without approval from the regulators, totaled \$28,240 and \$26,472 respectively. Accordingly, \$84,896 and \$53,703 of the Holding Company's investment in the Bank was restricted at December 31, 2025, and 2024, respectively.

Loans or advances made by the Bank to the Holding Company are generally limited to 10 percent of the Bank's capital stock and surplus.

# Oxford Bank Corporation and Subsidiary

## Notes to Consolidated Financial Statements

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(Dollar amounts in thousands)

### Note 15 - Minimum Regulatory Capital Requirements

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on investment securities available for sale, is not included in computing regulatory capital. Management believes as of December 31, 2025, the Holding Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2025, and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

At December 31, 2025, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," an institution must maintain minimum total risk based, common equity Tier 1 risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the following tables. These tables do not include the 2.5 percent capital conservation buffer requirement. A bank with a capital conservation buffer greater than 2.5 percent of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5 percent threshold is not met the bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero. There are no conditions or events since the notification that management believes has changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2025, and 2024, are also presented in the table.

	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2025</b>						
Common equity Tier 1 capital (to risk-weighted assets)	\$105,713	13.94%	\$ 34,125	4.50%	\$ 49,292	6.50%
Total risk-based capital (to risk-weighted assets)	114,241	15.06	\$ 60,686	8.00	\$ 75,857	10.00
Tier 1 capital (to risk-weighted assets)	105,713	13.94	\$ 45,501	6.00	\$ 60,667	8.00
Tier 1 capital (to average assets)	105,713	10.54	\$ 40,119	4.00	\$ 50,148	5.00
<b>As of December 31, 2024</b>						
Common equity Tier 1 capital (to risk-weighted assets)	\$ 96,739	14.04%	\$ 31,006	4.50%	\$ 44,787	6.50%
Total risk-based capital (to risk-weighted assets)	104,676	15.20	55,093	8.00	68,866	10.00
Tier 1 capital (to risk-weighted assets)	96,739	14.04	41,341	6.00	55,122	8.00
Tier 1 capital (to average assets)	96,739	11.37	34,033	4.00	42,541	5.00

Years ended December 31, 2025 and 2024

(Dollar amounts in thousands)

#### Note 16 – Segment Information

The Corporation's reportable segment is determined by the Chief Financial Officer, who is the designated chief operating decision maker, based upon information provided about the Corporation's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review the performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Corporation's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Corporation's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Corporation's against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results, are used to assess performance. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.