

**UNIVERSITY BANCORP, INC.
AND SUBSIDIARIES**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended December 31, 2025 and 2024

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	4
Consolidated Statements of Operations and Comprehensive Income	6
Consolidated Statements of Equity	9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	13
Supplementary Information:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	70
Independent Auditor's Report on Compliance for Each Major HUD Program and on Internal Control Over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs	72
Computation of Adjusted Net Worth to Determine Compliance with HUD Net Worth Requirements	75
Computation of Liquidity to Determine Compliance with HUD Liquidity Requirements	76
Computation of Adjusted Net Worth to Determine Compliance with Ginnie Mae Net Worth Requirements	77
Computation of Ginnie Mae Capital Requirement	79
Computation of Ginnie Mae Liquid Asset Requirement	80
Computation of Ginnie Mae Insurance Requirement	81
Schedule of Findings, Questioned Costs and Recommendations	82
Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations	83
HUD Financial Data Template	84

Independent Auditor's Report

Board of Directors and Stockholders
University Bancorp, Inc. and Subsidiaries
Ann Arbor, Michigan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of University Bancorp, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of University Bancorp, Inc. and Subsidiaries, as of December 31, 2025 and 2024, and the results of their operations and their 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Company, 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 Consolidated 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 the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Company'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 the Company'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 24, 2026, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Fort Wayne, Indiana
March 24, 2026**

Name of Engagement Executive: Matthew Stout, CPA
Federal Employer Identification Number: 44-0160260

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

	December 31,	
	2025	2024
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Demand - non-interest bearing	\$ 414,498,826	\$ 371,315,190
Demand - interest bearing and profit sharing	16,667,830	12,201,979
Savings	114,619,434	31,151,564
Time	76,607,257	57,600,300
Brokered time	243,084,000	243,184,000
Total deposits	865,477,347	715,453,033
FHLB line of credit	4,429,724	-
Mortgage banking derivatives	182,773	-
Securities sold not yet purchased, at fair value	1,204,140	-
Accounts payable	4,696,681	1,538,538
Accrued interest and profit sharing payable	2,287,988	2,104,662
Allowance for loan and financing recourse	229,534	438,030
Escrow, mortgage and financing insurance liabilities	1,305,640	1,119,096
Liability to fund closed but undisbursed loans and financings	3,167,296	1,090,105
Deferred income taxes	7,749,844	8,730,648
Accrued expenses and other liabilities	7,661,317	7,625,816
FHLB advances	62,000,000	90,000,000
Unsecured debt	42,178,713	42,063,705
Operating lease liability	3,211,996	3,773,447
Dividends payable - preferred stock	212,500	-
Dividends payable - common stock	-	516,952
Total liabilities	1,005,995,493	874,454,032
COMMITMENTS AND CONTINGENCIES		
EQUITY		
University Bancorp, Inc. stockholders' equity:		
Common stock	52,069	52,069
Preferred stock; liquidation value \$25,000,000	25	-
Treasury stock, at cost	(338,298)	(338,298)
Additional paid-in capital	32,715,456	7,978,048
Retained earnings	92,454,685	85,195,554
Accumulated other comprehensive income, net of income taxes of \$107,759 and \$186,903, respectively	407,592	703,400
Equity attributable to stockholders of University Bancorp, Inc.	125,291,529	93,590,773
Noncontrolling interest	12,910,358	11,961,541
Total equity	138,201,887	105,552,314
Total liabilities and equity	\$ 1,144,197,380	\$ 980,006,346

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME

	Years ended December 31,	
	2025	2024
Interest and financing income:		
Interest and fees on loans and financing income	\$ 61,791,084	\$ 54,538,659
Interest on securities:		
U.S. government agencies	805,394	651,323
Other securities	525,028	453,766
Interest on federal funds and other	2,313,160	2,654,802
Total interest and financing income	<u>65,434,666</u>	<u>58,298,550</u>
Interest and profit sharing expense:		
Interest and profit sharing on deposits:		
Demand	537,427	509,999
Savings	2,730,610	460,652
Time	13,967,584	13,130,679
Short-term FHLB advances	3,536,011	3,440,275
Long-term debt	3,928,332	3,605,309
Total interest and profit sharing expense	<u>24,699,964</u>	<u>21,146,914</u>
Net interest and financing income	40,734,702	37,151,636
Provision for (recovery of) credit losses	<u>(604,694)</u>	<u>713,697</u>
Net interest and financing income after provision for credit losses	<u>41,339,396</u>	<u>36,437,939</u>
Noninterest income:		
Loan and financing servicing and sub-servicing fees	25,228,562	24,525,768
Origination and other fees	11,279,973	9,728,110
Gain on sale of mortgage loans, net, and net fee income for assignment of financings	31,200,117	30,073,554
Gain on sale of loans held for investment	875,810	-
Insurance & investment agency fee income	2,198,965	1,992,051
Deposit service charges and fees	91,670	59,107
Change in fair value of mortgage and financing servicing rights	(3,837,839)	(2,258,982)
Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments	3,240,616	1,825,247
Net realized and unrealized gain (loss) on equity securities	411,712	(496,147)
Other income	1,388,270	1,514,338
Total noninterest income	<u>72,077,856</u>	<u>66,963,046</u>

See notes to consolidated financial statements.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (Continued)

	Years ended December 31,	
	2025	2024
Noninterest expense:		
Compensation and benefits	\$ 67,232,025	\$ 58,546,575
Occupancy	2,470,913	2,965,410
Data processing and equipment	12,757,986	11,329,409
Legal and audit	1,452,179	1,263,024
Consulting	2,881,567	2,188,841
Mortgage banking	5,315,176	3,847,998
Advertising	1,116,914	1,226,028
Membership and training	1,137,580	1,017,712
Travel and entertainment	1,116,776	890,064
Supplies and postage	2,329,307	2,105,578
Insurance	1,099,529	1,409,828
Director related	711,900	673,400
FDIC assessments	614,872	670,017
Amortization of customer relationships	62,068	62,068
Other operating	834,371	624,700
	<hr/>	<hr/>
Total noninterest expense	101,133,163	88,820,652
	<hr/>	<hr/>
Income before income taxes	12,284,089	14,580,333
Income tax expense	2,312,786	2,762,234
	<hr/>	<hr/>
Net income	\$ 9,971,303	\$ 11,818,099
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UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (Continued)

	Years ended December 31,	
	2025	2024
COMPREHENSIVE INCOME		
Net income	\$ 9,971,303	\$ 11,818,099
Unrealized gain (loss) on derivative hedges, net of income tax expense (benefit) of (\$78,946) and \$186,705, respectively	(296,987)	702,366
Net unrealized gain on debt securities available-for-sale, net of income tax expense (benefit) of (\$198) and \$198, respectively	1,179	1,504
COMPREHENSIVE INCOME	\$ 9,675,495	\$ 12,521,969
Net income and comprehensive income attributable to the noncontrolling interest	\$ 948,817	\$ 1,350,716
Net income attributable to stockholders of University Bancorp, Inc.	\$ 9,022,486	\$ 10,467,383
Comprehensive income attributable to stockholders of University Bancorp, Inc.	\$ 8,726,678	\$ 11,171,253
EARNINGS PER SHARE		
Basic earnings per share attributable to common stockholders of University Bancorp, Inc.	\$ 1.70	\$ 2.02
Diluted earnings per share attributable to common stockholders of University Bancorp, Inc.	\$ 1.70	\$ 2.02
Weighted-average common shares outstanding		
Basic	5,169,518	5,169,518
Diluted	5,169,518	5,169,518
Dividends declared per common share	\$ 0.30	\$ 0.30

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

University Bancorp, Inc. Stockholders'											
	Common Stock, voting, \$.01 par value, 10,000,000 shares authorized		Preferred Stock, non-voting, \$.001 par value, 1,000,000 shares authorized		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Non- controlling Interest	Total
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Cost					
Balance at January 1, 2024	5,206,899	\$ 52,069	-	\$ -	37,381	\$ (338,298)	\$ 7,978,048	\$ 76,279,027	\$ (470)	\$ 10,610,825	\$ 94,581,201
Common stock dividends	-	-	-	-	-	-	-	(1,550,856)	-	-	(1,550,856)
Other comprehensive income	-	-	-	-	-	-	-	-	703,870	-	703,870
Net income	-	-	-	-	-	-	-	10,467,383	-	1,350,716	11,818,099
Balance at December 31, 2024	5,206,899	52,069	-	-	37,381	(338,298)	7,978,048	85,195,554	703,400	11,961,541	105,552,314
Issuance of preferred shares	-	-	25,000	25	-	-	24,999,975	-	-	-	25,000,000
Preferred dividends	-	-	-	-	-	-	-	(212,500)	-	-	(212,500)
Cost of issuance of preferred stock	-	-	-	-	-	-	(262,567)	-	-	-	(262,567)
Common stock dividends	-	-	-	-	-	-	-	(1,550,855)	-	-	(1,550,855)
Other comprehensive loss	-	-	-	-	-	-	-	-	(295,808)	-	(295,808)
Net income	-	-	-	-	-	-	-	9,022,486	-	948,817	9,971,303
Balance at December 31, 2025	5,206,899	\$ 52,069	25,000	\$ 25	37,381	\$ (338,298)	\$ 32,715,456	\$ 92,454,685	\$ 407,592	\$ 12,910,358	\$ 138,201,887

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 9,971,303	\$ 11,818,099
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	1,381,255	1,773,497
Net amortization of discount (accretion of premium) on purchased loans held for investment	(5,856)	77,526
Amortization of debt issuance costs	115,008	77,877
Change in fair value of mortgage and financing servicing rights	3,837,839	2,258,982
Goodwill impairment	-	103,914
Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments	(3,240,616)	(1,825,247)
Foreign currency exchange (gain) loss	-	(136,575)
Deferred income tax (benefit) expense	1,273,847	2,544,551
Provision for (recovery of) credit losses	(604,694)	713,697
Gain on sale of loans held for investment	(875,810)	-
Loss on sale of premises and equipment	10,812	-
Loss on sale of other real estate owned	65	47,484
Net gain on sale of mortgage loans and net fee income for assignment of financings	(31,200,117)	(30,073,554)
Unrealized (gain) loss on equity securities	(4,286,038)	2,179,212
Realized (gain) loss on sale of equity securities	3,874,326	(1,675,711)
Realized gain on sale of securities held-to-maturity	-	(7,355)
Net accretion on securities available-for-sale	(34,115)	(37,578)
Net amortization (accretion) on securities held-to-maturity	29,112	(75,684)
Originations of mortgage loans and financings	(1,218,399,044)	(1,092,010,784)
Proceeds from mortgage loan sales and assignment of financings	1,201,428,412	1,123,237,390
Non-cash lease expense	19,980	53,661
Net change in:		
Various other assets	(3,230,649)	(2,352,457)
Various other liabilities	3,482,979	3,546,182
Net cash provided by (used in) operating activities	<u>(36,452,001)</u>	<u>20,237,127</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years ended December 31,	
	2025	2024
INVESTING ACTIVITIES		
Proceeds from paydowns of debt securities held-to-maturity	3,042,986	1,071,562
Proceeds from paydowns of debt securities available-for-sale	2,497,580	1,053,848
Purchase of securities available-for-sale	-	(3,465,653)
Purchase of debt securities held-to-maturity	(4,909,848)	(5,114,094)
Purchase of equity securities	(13,390,200)	(5,906,265)
Proceeds from sale of equity securities and securities sold not yet purchased	2,935,668	11,486,741
Proceeds from sale of debt securities held-to maturity	-	4,779,531
Purchase of investment in unconsolidated affiliate	(3,815,431)	(100,000)
Purchase of FHLB stock	(720,000)	-
Purchase of loans held for investment	-	(5,938,804)
Proceeds from sale of loans held for investment	73,262,145	-
Investment in solar tax credits	(2,750,317)	(3,002,743)
Loans and financings granted, and repayments, net	(177,712,608)	(46,627,041)
Proceeds from sale of mortgage servicing rights	7,874,801	-
Proceeds from sale of real estate owned	130,526	574,772
Costs to improve other real estate owned	-	(28,778)
Purchases of premises and equipment	(1,162,870)	(2,624,383)
Net cash used in investing activities	(114,717,568)	(53,841,307)

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years ended December 31,	
	2025	2024
FINANCING ACTIVITIES		
Net change in deposits	\$ 150,024,314	\$ 40,463,072
Proceeds from issuance of preferred stock	25,000,000	-
Payment for costs of issuance of preferred stock	(262,567)	-
Net change in short-term borrowings	-	(1,000,000)
Net borrowings on FHLB line of credit	4,429,724	-
Net change in short-term FHLB advances	(28,000,000)	(15,000,000)
Proceeds from issuance of debt	-	15,000,000
Debt issuance costs	-	(417,711)
Payment of common dividends	(2,067,807)	(1,033,904)
	149,123,664	38,011,457
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,045,905)	4,407,277
Cash and Cash Equivalents, Beginning of Year	29,527,991	25,120,714
Cash and Cash Equivalents, End of Year	\$ 27,482,086	\$ 29,527,991
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 24,713,258	\$ 20,888,936
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Decrease in mortgage loans recorded for repurchase option	\$ -	\$ 3,861,742
Loans and financings converted to real estate owned	\$ 637,227	\$ -
Receivable recorded upon sale of mortgage servicing rights	\$ 284,035	\$ -
Dividends declared not yet paid	\$ 212,500	\$ -

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The consolidated financial statements of University Bancorp, Inc. (the “Parent”) include the operations of its two wholly-owned subsidiaries, University Bank (the “Bank”) and Crescent Assurance, PCC (“Crescent”), the Bank’s wholly-owned subsidiaries, Ann Arbor Insurance Centre, Inc. (“AAIC”) and Hoover, LLC (“Hoover”), and the Bank’s 80% owned subsidiary, UIF Corporation (“UIF”). These consolidated financial statements also include the operations of Hoover’s wholly-owned subsidiaries, 2460 Washtenaw Avenue, LLC and 2621 Carpenter Road, LLC.

Also included in these consolidated financial statements are the operations of Hyrex Servicing, LLC (“Hyrex”), named Arbor Street, LLC prior to changing its name during 2024. Hyrex was 100% owned by the Bank until it was sold on July 31, 2024 to Hyrex Servicing Holding Company, LLC (“Hyrex Holding”). Hyrex Holding is 100% owned by the Parent.

The accounts are maintained on an accrual basis in accordance with generally accepted accounting principles and predominant practices within the banking and mortgage banking industries. All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements. University Bancorp, Inc. and Subsidiaries are herein referred to as the “Company”.

The Parent is a financial holding company. The Bank, which is located in Michigan, is a full-service community bank, which offers all customary banking services, including the acceptance of checking, savings and time deposits. The Bank also makes commercial, real estate, personal, home improvement, automotive and other installment, credit card and consumer loans, and provides fee-based services such as foreign currency exchange. The Bank also services and subservices loans. The Bank is also engaged in the business of marketing, originating, processing, closing and selling retail mortgage loans through its fourteen retail branches throughout the United States. The Bank’s customer base is primarily located in the Ann Arbor, Michigan metropolitan statistical area.

The Bank’s loan portfolio is concentrated in Ann Arbor and Washtenaw County, Michigan. While the loan portfolio is diversified, the customers’ ability to honor their debts is partially dependent on the local economy. The Ann Arbor area is primarily dependent on the education, healthcare, services, and manufacturing (automotive and other) industries. Most real estate loans are secured by residential or commercial real estate and business assets secure most business loans. Generally, installment loans are secured by various items of personal property.

Crescent is a protected cell captive insurance company and commenced operations in March 2023. Crescent is authorized to form protected cells. No cells have been established by Crescent to date. Crescent is engaged in the business of providing commercial property and various liability insurance to its Parent, the Parent’s subsidiaries, and unaffiliated entities.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Principles of Consolidation (Continued)

AAIC is engaged in the sale of insurance products including life, health, property and casualty, and investment products such as annuities.

Hoover owns the Bank's headquarters facility. 2460 Washtenaw Avenue, LLC owns commercial land with a drive through ATM and a rental building located near the Bank's headquarters facility. AAIC is located in the building owned by 2621 Carpenter Road, LLC in Ann Arbor, MI.

Hyrex invests in real estate-related assets including residential mortgage loans, mortgage servicing rights, real property, small commercial mortgage loans, securities that are backed by these underlying assets, and related investments.

UIF is a faith-based financial services firm and was formed in December 2005. UIF is based in Southfield, Michigan. Its current products, which comply with federal, state and faith-based law, are deposits (as agent for the Bank) that are insured by the Federal Deposit Insurance Corporation (the "FDIC"), home financings (as agent for the Bank), home financings and commercial real estate financings (as principal for its own account), and consumer vehicle financing. Products compliant with faith-based law are offered to service the large number of faith-based customers who have an ethical aversion to paying or receiving fixed interest.

For several years, UIF offered three distinct financing methods offered to both residential and commercial customers, which include redeemable lease, installment sale contracts, and declining balance partnerships. However, due to a significant shift in demand, UIF shifted solely to originating the declining balance partnership model for all real estate financing.

Under the former and most seldom used redeemable lease method, a single-asset trust or an LLC was established by or on behalf of the originator (Bank/UIF), as settlor, naming a special purpose entity as the trustee or manager. The trust or LLC is subject to the terms of the written indenture designed for this specific purpose which is used generically for all financings in the redeemable lease program. The funds necessary to acquire the real property are deposited into the trust or LLC by the originator, as settlor, and used to fund the purchase of the property. The trust or LLC then enters into a combination lease/contract-for-deed agreement with the lessee/purchaser. The settlor is the initial beneficiary of the trust or LLC, but the beneficial interest in the payment stream arising from the trust or LLC is assignable to third parties. The power to remove and appoint trustees or managers is granted to the beneficiary and the beneficiary has the power to direct the trustee or manager with respect to foreclosure of the property. These rights are assignable with the payment stream.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Principles of Consolidation (Continued)

The terms of the lease and contract-for-deed agreements, in combination, result in a payment stream and cost of the real property that are functionally equivalent to secured real estate lending for both the lessee/purchaser and UIF. The lease payment under the lease agreement is like an interest payment under a conventional mortgage. The contract-for-deed payments resemble a principal payment under a conventional mortgage.

The lease and contract-for-deed payment streams are combined and considered as a single transaction. These redeemable lease arrangements are treated as sales-type leases in accordance with U.S. generally accepted accounting principles (“GAAP”), with no profit or loss at lease commencement. This financing model is no longer used, but a legacy portfolio remains on the Company’s consolidated balance sheet.

Accordingly, the Company’s accounting for this product is essentially the same as a conventional mortgage product. To reflect the substance of the residential and commercial redeemable lease transactions, the Company uses the consolidated balance sheet account title “Loans and financings” instead of a typical title of “Loans”. In the consolidated statements of operations, “Interest and fees on loans” is modified to state, “Interest and fees on loans and financing income”.

The second form of financing was the installment sale method. As agent for the Bank, UIF bought either a residential or a commercial property selected by a customer and then resold it to the customer, at a selling price higher than the purchase price. The difference between UIF’s purchase price and the selling price is the profit that the ultimate holder of the installment contract would accrete into income over the life of the contract. After the residential financing contract was executed by UIF and the customer, the contract was assigned to the Bank, and then assigned to the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Freddie Mac then reimbursed the Bank for the outlay of cash to purchase the property and paid the Bank a fee for origination. The cash, origination fees and servicing rights were retained by UIF under a master agreement between UIF and the Bank. The customer pays Freddie Mac for the property that was purchased on an installment basis, in accordance with an agreed repayment schedule.

The Company recorded these contracts at fair value for the short period of time that they were held before assignment to Freddie Mac. The residential financing installment contracts were assigned with servicing retained. Thus, the value of the installment contract and value of the servicing was determined to calculate the fair value and any gain or loss on the assignment of the underlying installment contract. After commercial financing contracts were executed, they are retained on UIF’s balance sheet as financings. See Note 22 for additional discussion of the determination of fair value. This financing model is no longer used, but a legacy portfolio remains on the Company’s consolidated balance sheet.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Principles of Consolidation (Continued)

The third and only remaining financing method uses the declining balance partnership model to enter into a declining balance agreement and payment agreement as joint owner, secured by a mortgage or deed of trust, with a commercial or residential customer once the customer selects the property. With the customer holding registered title, the declining balance agreement outlines the percentage of ownership which shifts over time from the joint owner to the customer as the customer makes monthly buyout payments towards the buyout price.

The monthly buyout payments are also inclusive of use payments to the joint owner (UIF) in consideration for UIF allowing the customer to use their portion of the property. After the residential declining balance agreements are executed by UIF and the customer, the contract and UIF's ownership rights are assigned to either Freddie Mac or the Federal National Mortgage Association ("Fannie Mae") or are retained on the Company's consolidated balance sheet as financings. After commercial financing contracts are executed, they are retained on the Company's consolidated balance sheet as financings or could involve a participating bank. This model can be utilized for both fixed and variable rate mortgage transactions. Upon closing, if these residential financings are to be transferred to Freddie Mac or Fannie Mae, the Company records these residential financings at fair value for the short period of time that they are held before being transferred. These residential financings are assigned with servicing retained. See Note 22 for additional discussion of the determination of fair value.

The Company also offers a vehicle financing product using a joint purchase agreement and an installment sale contract. After vehicle financing contracts are executed, they are retained as a fully amortizing installment sale financing on the Company's consolidated balance sheet as financings.

On the liability side of the balance sheet, UIF (as agent for the Bank) also offers FDIC-insured faith-based profit-sharing deposit accounts. These deposits are specifically invested in investments compliant with faith-based law such as, but not limited to, home and commercial real estate financings, MSR's, and consumer vehicle financings. The profits shared with depositors are derived specifically from the revenues from the investments compliant with faith-based law, net of expenses. In compliance with the FDIC definition of a deposit, balances in these accounts, like all deposit accounts, are FDIC-insured. An anticipated profit-sharing arrangement is disclosed to the depositor, and the account is structured as a variable rate deposit that can accommodate fluctuations in profit sharing depending on the earnings of the specific portfolio. The earnings paid to the depositors by the Bank are accounted for as an expense. This expense is analogous to interest expense paid on deposits in conventional financing. To reflect the legal substance of the profit-sharing deposits, the Company uses the balance sheet account title "Demand/time deposits – interest bearing and profit sharing" instead of the typical title of "Demand/time deposits – interest bearing". In the consolidated statements of operations and comprehensive income, "Interest on deposits" is modified to state, "Interest and profit sharing on deposits".

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based upon available information. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The significant estimates incorporated into these financial statements, which are most susceptible to change in the near term, include the identification and valuation of mortgage and financing servicing rights, the allowance for credit losses, the valuation of real estate owned, impairment analysis of goodwill and other intangible assets, the valuation allowance for deferred tax assets, the fair value of loans and financings held for sale or assignment, the fair value of derivative instruments such as mortgage interest and financing rate locks and forward commitments, recourse liabilities related to loans sold and financings assigned and loans and financings held for sale or assignment, the valuation of stock options and related stock based-compensation, if any, the fair value of the contingent earn-out liabilities, the amount of contingent liabilities, and the determination and the fair value of other financial instruments.

Cash Flow Reporting

For purposes of the consolidated statements of cash flows, cash and cash equivalents is defined to include the cash on hand, interest bearing deposits in other institutions, federal funds sold, and other investments with an original maturity of three months or less. Net cash flows are reported for customer loans and financings, deposit transactions, and interest-bearing deposits with other banks.

Investments in Marketable Securities

Marketable debt securities held-to-maturity are carried at amortized cost, net of an allowance for credit losses. Marketable debt securities available-for-sale are carried at fair value, net of any allowance for credit losses, with unrealized holding gains and losses reported in other comprehensive income or loss. Realized gains and losses on the sale of marketable debt securities available-for-sale are recorded in the consolidated statements of operations.

Marketable equity securities are carried at fair value, with unrealized and realized gains and losses reported in earnings.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities (Continued)

Securities sold, not yet purchased are carried at fair value and represent obligations of the Company to purchase the securities at prevailing market prices. Therefore, the future satisfaction of such obligations may be for an amount greater or less than the amounts recorded in the consolidated balance sheets. The ultimate gains or losses recognized are dependent upon the prices at which these securities are purchased to settle the obligations under the sales commitments. Realized and unrealized gains and losses from securities sold not yet purchased, are included in net realized and unrealized gain/(loss) on equity securities in the consolidated statements of operations and comprehensive income.

Investment securities transactions are recorded on the trade date for purchases and sales. Interest earned on investment securities, including the amortization of premiums and the accretion of discounts, are determined using the effective interest method over the period of maturity and recorded in interest income in the consolidated statements of operations.

Investment in Unconsolidated Affiliate

As of December 31, 2024, investment in unconsolidated affiliate consisted of a 12.5% investment in non-marketable equity shares of Credit Union Trust, a privately-held trust bank, without a readily determinable fair value. On December 31, 2025 the Company acquired additional shares of Credit Union Trust, and owns 49.99% as of December 31, 2025. Prior to acquiring the additional shares on December 31, 2025, the Company's 12.5% investment in Credit Union Trust was accounted for using the measurement alternative in Accounting Standards Update ("ASU") 2016-01 Financial Instruments discussed below. Effective December 31, 2025, the Company determined that it had the ability to exercise significant influence over Credit Union Trust and, therefore, changed to the equity method of accounting for its investment.

The Company records its share of earnings (loss) of the unconsolidated affiliate in the Consolidated Statement of Operations and Comprehensive Income as "Equity in earnings of affiliate". Significant intercompany balances and transactions, if any, have been eliminated. The Company classifies distributions from equity method affiliates as operating cash flows in the Consolidated Statement of Cash Flows. If cumulative distributions exceed cumulative equity earnings, the excess is reported as investing cash flows (the "cumulative earnings" method).

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Unconsolidated Affiliate (Continued)

The Company elected the measurement alternative in ASU 2016-01 Financial Instruments, as amended by ASU 2018-03 Technical Corrections and Improvements to Financial Instruments, to account for non-marketable equity securities. Under this alternative, the carrying value of non-marketable equity securities is adjusted up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on nonmarketable equity securities, realized and unrealized, are recognized in earnings.

Fair value may differ from the observed transaction price due to a number of factors, including marketability adjustments and differences in rights and obligations when the observed transaction is not for the identical investment held. The Company applies a price-based methodology, which utilizes, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The frequency and size of transactions are among the factors that are driven by the liquidity of markets and determine the relevance of observed prices in those markets. Determining whether an observed transaction is similar to a security within the Company's portfolio requires judgment based on the rights and obligations of the security. Recording upward and downward adjustments to the carrying value of the Company's non-marketable equity securities as a result of observable price changes requires quantitative assessments of the fair value of securities using various valuation methodologies and involves the use of estimates. The Company's estimate of fair value may differ significantly from the value that would have been used had an orderly market existed for the securities, and the difference could be material.

Non-marketable equity securities under the measurement alternative are also assessed for impairment. Impairment indicators that are considered include, but are not limited to, (a) a significant deterioration in the earnings performance, credit rating, asset quality or business prospects of the investee, (b) a significant adverse change in the regulatory, economic or technological environment of the investee, (c) a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates (d) a bona fide offer to purchase, an offer by the investee to sell or a completed auction process for the same or similar investment for an amount less than the carrying amount of that investment, and (e) factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies or noncompliance with statutory capital requirements or debt covenants. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in earnings.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank (the “FHLB”), the Bank is required to invest in FHLB stock, which is carried at cost since there is no readily available market value. When redeemed, the Bank receives an amount equal to the par value of the stock. Dividends paid on the FHLB stock are subject to economic events, regulatory actions, and other factors.

Loans and Financings

Loans and financings are reported at the principal balance outstanding, net of unearned interest or financing income, discounts, deferred loan or financing fees and costs, and an allowance for credit losses. Interest income is reported on the interest method and includes amortization of discounts and net deferred loan fees and costs over the loan term. Financing income is calculated monthly and includes amortization of net deferred financing fees and costs over the term of the financing. Interest or financing income is not reported when full loan repayment is in doubt, typically when payments are past due over ninety days. Payments received on such loans and financings are reported as principal reductions, unless all interest or financing income and principal payments in arrears are paid in full.

Allowance for Credit Losses – Held-to-Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate of expected credit losses is primarily based on the ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Company then multiplies those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at a lifetime expected loss amount. Management classifies the held-to-maturity portfolio into the following major security types: mortgage-backed securities or foreign corporate bonds.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Held-to-Maturity Securities (Continued)

All the mortgage-backed securities held by the Company are issued by government-sponsored corporations. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Management monitors the fair value of the foreign corporate bonds held by the Company through market indicators, and the fair value exceeded the carrying value. As a result, no allowance for credit losses was recorded on held-to-maturity securities at December 31, 2025 and 2024. Accrued interest receivable is excluded from the estimate of credit losses.

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a regular basis. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments, and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2025 and 2024, there was no allowance for credit loss related to the available-for-sale portfolio. Accrued interest receivable is excluded from the estimate of credit losses.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans and Financings

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

Accrued interest and financing income receivable is excluded from the estimate of credit losses. The Company elected not to measure an allowance for credit losses for accrued interest and financing income receivable and instead elected to reverse interest and financing income on loans and financings or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest and financing income is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest and financing income.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans and financings as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans and financings on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments for calculating the allowance for credit losses: commercial, commercial real estate, residential real estate, and consumer loans. These segments are evaluated based on the failure of the borrower to make scheduled interest and financing income or principal payments, performance of underlying collateral, and market conditions.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan and financing portfolio growth, industry concentrations, trends in underlying collateral, external factors, and economic conditions not already captured.

Loans and financings that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and financings, and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan and financing commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision in the Company's statement of operations. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan and financing segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans and financings, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. As of December 31, 2025 and 2024 the Company recorded an allowance for credit loss for off-balance sheet credit exposures of \$186,703 and \$102,197, respectively, as a liability included in accrued expenses and other liabilities on the consolidated balance sheets.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed primarily on the straight-line method over the assets' estimated useful lives which range from three to thirty-nine years. In the case of a leasehold improvement, the life will be the lesser of the term of the lease and the estimated useful life.

Leases

The Company is party to certain operating leases. In accordance with ASC 842, Leases, the Company determines if an arrangement is a lease at inception. A lease liability and a right-of-use asset are recognized at the start of the lease for these operating leases based on the present value of lease payments over the lease term. The cost of the right-of-use asset also includes any initial direct costs and any lease payments made on or before the inception date, less any incentives received. A right-of-use asset is amortized to lease expense on a straight-line basis from the inception date until the earlier of the end of the asset's useful life or the end of the lease term. Right-of-use assets are subject to impairment.

Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If it cannot be easily determined, the lessee's incremental borrowing rate is used. Book value is re-measured if the lease term changes.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Company applies the exemptions for recognizing short-term leases (those leases with terms of 12 months or less from the inception date and that do not include a purchase option) and leases in which the underlying asset is of low value. The lease payments deriving from these contracts are expensed on a straight-line basis over the lease term. The Company also elected not to separate lease and non-lease components for all leases.

The Company establishes the lease term as the irrevocable period of a lease plus: (i) any periods covered by an option to extend the lease, if the Company is reasonably certain that it will exercise this option; and (ii) any periods covered by an option to terminate the lease if the Company is reasonably certain that it will not exercise this option.

Variable lease payments that include payments based upon changes in a rate or index, such as consumer price indexes, as well as usage of the lease asset, such as utilities, real estate taxes, insurance, and variable common area maintenance, are expensed as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Mortgage Banking Activities

The Company's mortgage banking activities consist of retail and servicing operations. Loans and financings held for sale are sold or assigned with selective loans or financings having their servicing or financing rights retained, and others are sold or assigned on a servicing released basis. The Company has elected to record all loans and financings held for sale at fair value. Loans and financings are generally sold or assigned without recourse, except in certain events as defined in the related sale or assignment documents.

An allowance was booked for potential recourse liabilities related to loans and financings sold or assigned, and loans and financings held for sale or assignment, in the amount of \$229,534 and \$438,030 as of December 31, 2025 and 2024, respectively.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Banking Activities (Continued)

At certain times the Company may be required to buyback loans from a purchaser in accordance with loan purchase documents if certain representations and warranties regarding eligibility and underwriting are not met. Also, certain securitization programs allow the Company to buy back individual delinquent mortgage loans from the securitized loan pool once certain conditions are met. When individual loans meet the specified delinquency criteria and are eligible for repurchase, the Company has the option to repurchase the delinquent loan for an amount equal to 100% of the loan's remaining principal balance and must account for loans as if they had been repurchased, provided the buyback option provides the Company with a "more than trivial benefit." The delinquent loans must be brought back onto the Company's balance sheet as assets and initially recorded at fair value, regardless of whether the Company intends to exercise the buyback option. An offsetting liability is also recorded. The Company had no delinquent residential loans that the Company has the option to buy back nor any related loan repurchase liability at December 31, 2025 and 2024.

Mortgage and financing servicing rights ("MSRs") represent both purchased rights and the allocated value of servicing rights retained on loans or financings originated and sold or assigned. Loan and financing servicing and sub-servicing fees are contractually based and are recognized monthly as earned over the life of the loans or financings.

MSRs are initially recognized at their fair value and subsequently can either be: (1) carried at fair value with changes in fair value recognized in earnings; or (2) amortized and assessed for impairment. These options may be applied by class of servicing assets or liabilities. The Company has elected to apply fair value accounting to all MSRs.

Real Estate Owned

Real estate properties acquired upon foreclosure of a loan or financing are recorded at fair value upon foreclosure, establishing a new cost basis. Any difference between the fair value of the real estate from the carrying value of the related loan or financing is accounted for as a credit loss. After foreclosure, management periodically performs valuations to ensure real estate is carried at the lower of cost or fair value, less estimated costs to sell. Expenses, gains and losses on disposition, and decreases in the fair value are reported in noninterest expense. The Company had real estate owned totaling \$506,636 and \$-0- as of December 31, 2025 and 2024, respectively, which related to residential real estate loans and financings. As of December 31, 2025, loans and financings with a carrying value totaling \$1,512,733 are in the process of foreclosure.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("non-designated derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income (loss) and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivatives not designated are reported currently in earnings, as non-interest income.

Accrued settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Accrued settlements on derivatives not designated are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are designated are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended. When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Banking Derivatives

The Company enters into interest and financing rate lock commitments (“IRLCs”) in connection with its mortgage banking activities to fund residential mortgage loans and financings within specified times in the future. These instruments are accounted for as non-designated derivatives. IRLCs that relate to the origination of mortgage loans and financings that will be held for sale or assignment are considered derivative instruments. As such, these IRLCs are recorded at fair value (see Note 22) with net changes in fair value recorded in earnings.

Outstanding IRLCs expose the Company to the risk that the price of the loans or financings underlying the commitments might decline from inception of the rate lock to the funding of the loan or financing. To protect against this risk, the Company utilizes forward loan and financing sales commitments to economically hedge the risk of potential changes in the value of the loans and financings that would result from the commitments. These forward commitments are recorded at fair value (see Note 22) with net changes in fair value recorded in earnings.

Goodwill

Goodwill is the excess costs of acquired businesses over the fair value amounts assigned to identifiable assets acquired and liabilities assumed. The Company reviews goodwill for impairment annually or whenever events and circumstances have occurred that indicate a potential impairment.

When performing an impairment test, management compares the fair value of a reporting unit with its carrying value at the measurement date. If the carrying value of the reporting unit exceeds the reporting unit’s fair value, an impairment loss is recognized in an amount not to exceed the total amount of goodwill allocated to that reporting unit.

Long-Lived Assets

Management periodically reviews the potential impairment of long-lived assets to assess recoverability. If a long-lived asset is deemed to be impaired, the write-down is recorded as a periodic expense. There was no impairment recorded during 2025 or 2024.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Deferred income tax assets and liabilities are recorded for estimated future tax consequences attributable to the differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are to be computed on the liability method and deferred tax assets are recognized only when realization is certain. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. If necessary, a valuation allowance is booked to reduce net deferred tax assets to a net amount that is more likely than not to be realized.

The benefit of an uncertain tax position is recognized in the financial statements if it meets a minimum recognition threshold. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more-likely-than-not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2025 and 2024, there are no uncertain tax positions for which a reserve or liability is recognized.

From time to time, the Company invests in tax credit structures. The Company has elected to account for its investment in its solar tax credit structures using the proportional amortization method. Under this method, the tax credit investments are amortized in proportion to the allocation of tax credits and other tax benefits in each period. The resulting amortization is presented net with the tax credits and other tax benefits within income tax expense.

The Parent and the Bank have a tax sharing agreement with some of its subsidiaries in which the subsidiaries record their share of federal and state taxes in accordance with the tax sharing agreements.

Share Based Compensation

The Company sometimes issues stock options to directors of the Company in lieu of director fees.

The Company recognizes compensation cost relating to share-based payment transactions in the consolidated financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. The fair value of the Company's options are determined pursuant to the Black-Scholes model at the date of issuance. As the options vest, the Company recognizes compensation expense in earnings.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Based Compensation (Continued)

The grant date fair value of options is determined using the Black-Scholes option pricing model, which values options based on the stock price at the grant date, expected term of the option, expected volatility of the stock, expected dividend payments, exercise price, and risk-free interest rate over the expected term of the option. The Company accounts for any forfeitures of options when they occur.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. As the Company's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

During the years ended December 31, 2025 and 2024, the Company did not have any outstanding stock options. As a result, the Company did not have any share-based compensation expense during the years ended December 31, 2025 and 2024.

Computation of EPS

Basic earnings per share ("EPS") is computed by dividing net income attributable to common stockholders by the weighted-average common shares outstanding in the period. Diluted EPS is computed by giving effect to all potentially dilutive securities that are outstanding and excludes the effect of any potentially antidilutive securities. The number of shares related to options included in diluted EPS is based on the treasury stock method.

The Company has preferred shares that earn preferred dividends. In the determination of EPS, net income available to common stockholders has been reduced by the amount of preferred dividends.

Subsequent Events

The Company has performed a review of events subsequent to December 31, 2025, through March 24, 2026, the date the consolidated financial statements were available to be issued. See Note 25 for additional information.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

FASB ASU 2023-09 - Income Taxes (Topic 740) - Improvements to Income Tax Disclosures

ASU 2023-09 is intended to enhance income tax disclosures to address investor requests for more information about the tax risks and opportunities present in an entity's worldwide operations.

The two primary enhancements disaggregate existing income tax disclosures related to the effective tax rate reconciliation and income taxes paid. These amendments require that public business entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The amendments also require that all entities disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state and foreign, and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received).

For the Company, ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issue. The amendments should be applied on a prospective basis. The Company adopted this guidance effective January 1, 2025.

New Accounting Pronouncements Not Yet Adopted

FASB ASU 2024-03 - Income Statement - Reporting Comprehensive Income-Expense Disaggregation Disclosures

ASU 2024-03 requires public business entities to disclose specific information about certain costs and expenses in the notes to the financial statements.

The objective of the disclosure requirements is to provide disaggregated information about a public business entity's expenses to help investors (a) better understand the entity's performance, (b) better assess the entity's prospects for future cash flows, and (c) compare an entity's performance over time and with that of other entities.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2026. Early adoption is permitted. The Company is assessing the terms of this guidance. Adoption of the standard is not expected to have a significant impact on the Company's consolidated financial statements.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 2 – INVESTMENT SECURITIES

Marketable Securities

Marketable investment securities have been classified according to management's intent. The amortized cost of marketable investment securities and their approximate fair values are as follows:

December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At amortized cost:				
U.S. agency mortgage- backed securities held-to-maturity	<u>\$ 18,430,730</u>	<u>\$ 105,439</u>	<u>\$ (841,208)</u>	<u>\$ 17,694,961</u>
At fair value:				
U.S. agency mortgage- backed securities available-for-sale	\$ 32,782	\$ 595	\$ -	\$ 33,377
Equity securities	<u>21,445,129</u>	<u>4,351,567</u>	<u>(3,006,179)</u>	<u>22,790,517</u>
Total at fair value	<u>\$ 21,477,911</u>	<u>\$ 4,352,162</u>	<u>\$ (3,006,179)</u>	<u>\$ 22,823,894</u>
December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At amortized cost:				
U.S. agency mortgage- backed securities held-to-maturity	<u>\$ 16,592,980</u>	<u>\$ -</u>	<u>\$ (1,326,184)</u>	<u>\$ 15,266,796</u>
At fair value:				
U.S. Treasury securities available-for-sale	\$ 2,494,630	\$ 1,271	\$ (237)	\$ 2,495,664
Equity securities	<u>13,880,393</u>	<u>1,562,355</u>	<u>(4,722,615)</u>	<u>10,720,133</u>
Total at fair value	<u>\$ 16,375,023</u>	<u>\$ 1,563,626</u>	<u>\$ (4,722,852)</u>	<u>\$ 13,215,797</u>

There was no allowance for credit losses on held-to-maturity or available-for-sale debt securities as of December 31, 2025 and 2024.

The Company monitors the credit quality of debt securities held-to-maturity using credit ratings. At December 31, 2025 and 2024, the Company had no securities held-to-maturity that were past due 30 days or more as to principal or interest payments. The Company had no securities held-to-maturity classified as nonaccrual during the years ended December 31, 2025 and 2024.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 2 – INVESTMENT SECURITIES (Continued)

Marketable Securities (Continued)

The following is a summary of maturities of marketable debt securities held-to-maturity and available-for-sale as of December 31, 2025:

	<u>Held-to-maturity</u>		<u>Available-for-sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Amounts maturing in:				
One year or less	\$ -	\$ -	\$ -	\$ -
After one year through five years	-	-	-	-
After five years through ten years	-	-	-	-
After ten years	<u>18,430,730</u>	<u>17,694,961</u>	<u>32,782</u>	<u>33,377</u>
	<u>\$ 18,430,730</u>	<u>\$ 17,694,961</u>	<u>\$ 32,782</u>	<u>\$ 33,377</u>

Actual maturities may differ from contractual maturities because issuers and borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities sold not yet purchased at December 31, 2025 consisted of the following:

<u>December 31, 2025</u>	<u>Proceeds</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
At fair value:				
Equity securities	<u>\$ (984,531)</u>	<u>\$ -</u>	<u>\$ (219,609)</u>	<u>\$ (1,204,140)</u>

The Company had no securities sold not yet purchased at December 31, 2024.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 2 – INVESTMENT SECURITIES (Continued)

Unrealized Loss Disclosures

The following table shows the gross unrealized losses and fair value of available-for-sale debt securities for which an allowance for credit losses has not been recorded, aggregated by category and length of time that the securities have been in a continuous unrealized loss position as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2025</u>						
U.S. agency mortgage-backed securities available-for-sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2024</u>						
U.S. Treasury securities available-for-sale	\$ 1,558,001	\$ (237)	\$ -	\$ -	\$ 1,558,001	\$ (237)

Unrealized losses on mortgage-backed securities have not been recognized into income as management does not intend to sell, and it is likely that management will not be required to sell, the securities prior to their anticipated recovery. Also, the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments.

Investment in Unconsolidated Affiliate

Investment in unconsolidated affiliate consists of an investment in capital stock of Credit Union Trust, a privately-held trust bank, without a readily determinable fair value. As of December 31, 2024, the Company owned 12.5% of the outstanding shares with a total cost of \$1,193,075. On December 31, 2025 the Company acquired additional shares of Credit Union Trust, and owns 49.99% as of December 31, 2025 with a total cost of \$5,008,506. Prior to acquiring the additional shares on December 31, 2025, the Company's 12.5% investment in Credit Union Trust was accounted for using the measurement alternative in Accounting Standards Update ("ASU") 2016-01 Financial Instruments. There were no upward or downward adjustments to these non-marketable securities and there were no realized or unrealized gains or losses on these non-marketable equity securities during the year ended December 31, 2024, nor through December 31, 2025. Effective December 31, 2025, the Company determined that it had the ability to exercise significant influence over Credit Union Trust and, therefore, changed to the equity method of accounting for its investment.

The Company did not record any share of earnings (loss) of Credit Union Trust for the year ended December 31, 2025, as the Company did not obtain significant influence until December 31, 2025. As a result, the carrying value of the Company's investment in unconsolidated affiliate at December 31, 2025 is unchanged from its cost discussed above.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS

Major classifications of loans and financings are as follows:

	December 31,	
	2025	2024
Commercial	\$ 48,125,566	\$ 39,014,391
Commercial real estate	137,860,154	117,731,758
Residential real estate	687,123,090	616,089,724
Consumer	14,252,233	9,504,957
Credit cards	31,242	33,809
	<hr/>	<hr/>
Gross loans and financings	887,392,285	782,374,639
Allowance for credit losses	(4,412,305)	(5,082,605)
Unamortized premium on residential real estate loans	327,944	333,798
	<hr/>	<hr/>
Net loans and financings	<u>\$ 883,307,924</u>	<u>\$ 777,625,832</u>

Allowance for Credit Losses – Loans and Financings

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31:

	2025		
	Commercial	Retail	Total
Balance, beginning of year	\$ 1,029,117	\$ 4,053,488	\$ 5,082,605
Provision charged to operations	(95,830)	(593,370)	(689,200)
Recoveries credited to allowance	-	18,900	18,900
Charge-offs	-	-	-
	<hr/>	<hr/>	<hr/>
Balance, end of year	<u>\$ 933,287</u>	<u>\$ 3,479,018</u>	<u>\$ 4,412,305</u>
	2024		
	Commercial	Retail	Total
Balance, beginning of year	\$ 900,450	\$ 3,529,393	\$ 4,429,843
Provision charged to operations	128,667	545,968	674,635
Recoveries credited to allowance	-	17,576	17,576
Charge-offs	-	(39,449)	(39,449)
	<hr/>	<hr/>	<hr/>
Balance, end of year	<u>\$ 1,029,117</u>	<u>\$ 4,053,488</u>	<u>\$ 5,082,605</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS (Continued)

Collateral Dependent Loans and Financings

The Company has certain loans and financings for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan or financing. The following provides more detail about the types of collateral that secure collateral dependent loans and financings.

- Commercial loans and financings are typically secured by business assets or business owner assets.
- Commercial real estate loans and financings can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner occupied commercial real estate loans and financings are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans and financings are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Consumer loans and financings are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans and financings are unsecured and have no underlying collateral.
- Residential real estate loans and financings, and home equity lines of credit are typically secured by first or second mortgages.

The following table details the amortized cost of collateral dependent loans and financings:

	December 31,	
	2025	2024
Commercial	\$ -	\$ -
Commercial real estate	1,203,362	174,076
Consumer/credit card	-	-
Residential real estate	8,089,818	2,322,139
Total	<u>\$ 9,293,180</u>	<u>\$ 2,496,215</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS (Continued)

Credit Quality

The following tables present informative data by class of loan and financing regarding their age and interest or financing income accrual status:

December 31, 2025	Current	Past Due			Total Past Due	Total Loans and Financings
		30-59 Days	60-89 Days	≥ 90 Days		
Commercial	\$ 47,618,824	\$ 175,892	\$ -	\$ 330,850	\$ 506,742	\$ 48,125,566
Commercial real estate	137,860,154	-	-	-	-	137,860,154
Consumer	14,164,839	87,394	-	-	87,394	14,252,233
Credit card	31,242	-	-	-	-	31,242
Residential real estate	676,452,635	5,423,175	1,354,294	3,892,986	10,670,455	687,123,090
Total	<u>\$ 876,127,694</u>	<u>\$ 5,686,461</u>	<u>\$ 1,354,294</u>	<u>\$ 4,223,836</u>	<u>\$ 11,264,591</u>	<u>\$ 887,392,285</u>

December 31, 2024	Current	Past Due			Total Past Due	Total Loans and Financings
		30-59 Days	60-89 Days	≥ 90 Days		
Commercial	\$ 38,984,255	\$ 30,136	\$ -	\$ -	\$ 30,136	\$ 39,014,391
Commercial real estate	117,557,814	173,944	-	-	173,944	117,731,758
Consumer	9,470,131	34,826	-	-	34,826	9,504,957
Credit card	33,809	-	-	-	-	33,809
Residential real estate	610,262,158	4,148,208	431,970	1,247,388	5,827,566	616,089,724
Total	<u>\$ 776,308,167</u>	<u>\$ 4,387,114</u>	<u>\$ 431,970</u>	<u>\$ 1,247,388</u>	<u>\$ 6,066,472</u>	<u>\$ 782,374,639</u>

The following tables are a summary of the Company's nonaccrual loans and financings by major categories:

	December 31, 2025		
	Nonaccrual Loans and Financings With No Allowance	Nonaccrual Loans and Financings With an Allowance	Total Nonaccrual Loans and Financings
Commercial	\$ -	\$ 330,850	\$ 330,850
Commercial real estate	-	-	-
Consumer/credit card	-	-	-
Residential real estate	<u>2,615,282</u>	<u>1,277,704</u>	<u>3,892,986</u>
Total	<u>\$ 2,615,282</u>	<u>\$ 1,608,554</u>	<u>\$ 4,223,836</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS (Continued)

	December 31, 2024		
	Nonaccrual Loans and Financings With No Allowance	Nonaccrual Loans and Financings With an Allowance	Total Nonaccrual Loans and Financings
Commercial	\$ -	\$ -	\$ -
Commercial real estate	-	-	-
Consumer/credit card	-	-	-
Residential real estate	883,016	364,372	1,247,388
Total	<u>\$ 883,016</u>	<u>\$ 364,372</u>	<u>\$ 1,247,388</u>

At December 31, 2025 and 2024, the Company had no loans and financings held for sale or assignment that were on nonaccrual status. The Company did not recognize any significant interest and financing income on nonaccrual loans and financings during the years ended December 31, 2025 and 2024, nor did the Company write off any significant accrued interest and financing income receivable during the years ended December 31, 2025 and 2024.

The Company has a grading system to help evaluate and classify the Company's loan and financing portfolio with respect to credit quality and risk.

The Company reviews commercial loans and financings on a regular basis and categorizes those loans and financings into risk categories based on relevant information about the ability of the customers to service their loan or financings, including financial information, payment experience, credit documentation, public information, and current economic trends.

Commercial loans and financings that are considered to be of lesser quality are considered substandard, doubtful, or loss (classified). The Company considers a loan or financing substandard when there is an inadequate primary or secondary source of repayment, hence inadequately protected by the current net worth and financial capacity of the borrower or of the collateral pledged, if any. Substandard loans and financings include those in which there is the distinct possibility that the Company will sustain some loss of principal if the deficiencies are not corrected. Loans and financings that are classified as doubtful have all of the weaknesses inherent in those loans and financings that are classified substandard, but also have the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans and financings classified as loss, are those considered uncollectible and of such little value that their continuance as an asset is not warranted, and the uncollectible amounts are charged off.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS (Continued)

Loans and financings that do not expose the Company to risk sufficient to warrant classification in one of the aforementioned categories, but which possess some weakness, are designated as special mention. A special mention loan or financing has a potential weakness that deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risks to warrant classification. Special mention loans and financings are included with substandard performing loans and financings in the following table. Commercial loans and financings not meeting the above criteria are considered to be pass rated loans and financings.

For residential real estate and consumer loans and financings, the Company uses payment status to monitor the credit risk in these loans and financings. Substandard loans and financings are those that are ninety days or more past due. Residential real estate and consumer loans and financings that don't meet these criteria are considered performing.

The following tables present the Company's recorded investment in loans and financings by credit quality indicators by year of origination as of December 31:

	2025							Total
	Term Loans and Financings by Year of Origination							
	2025	2024	2023	2022	2021	Prior	Revolving	
Commercial Real Estate								
Pass	\$ 35,212,940	\$ 18,481,590	\$ 25,541,429	\$ 21,207,237	\$ 18,169,060	\$ 17,726,166	\$ -	\$ 136,338,422
Classified - performing	-	-	-	-	-	1,004,253	-	1,004,253
Classified - nonperforming	-	-	-	171,296	279,226	66,957	-	517,479
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Commercial Real Estate	\$ 35,212,940	\$ 18,481,590	\$ 25,541,429	\$ 21,378,533	\$ 18,448,286	\$ 18,797,376	\$ -	\$ 137,860,154
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial								
Pass	\$ 24,451,309	\$ 19,207,018	\$ 2,996,722	\$ 662,544	\$ 862	\$ 426,980	\$ -	\$ 47,745,435
Classified - performing	-	-	-	-	-	31,895	-	31,895
Classified - nonperforming	-	348,236	-	-	-	-	-	348,236
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Commercial	\$ 24,451,309	\$ 19,555,254	\$ 2,996,722	\$ 662,544	\$ 862	\$ 458,875	\$ -	\$ 48,125,566
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Real Estate								
Performing	\$ 25,291,981	\$ 21,567,928	\$ 63,159,490	\$ 206,932,127	\$ 17,158,129	\$ 14,173,863	\$ 329,967,986	\$ 678,251,504
Substandard	-	510,155	1,291,581	4,088,025	380,087	2,601,738	-	8,871,586
Total Residential Real Estate	\$ 25,291,981	\$ 22,078,083	\$ 64,451,071	\$ 211,020,152	\$ 17,538,216	\$ 16,775,601	\$ 329,967,986	\$ 687,123,090
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer/Credit Card								
Performing	\$ 8,697,348	\$ 4,244,106	\$ 1,282,271	\$ -	\$ 28,508	\$ -	\$ 31,242	\$ 14,283,475
Substandard	-	-	-	-	-	-	-	-
Total Consumer/Credit Card	\$ 8,697,348	\$ 4,244,106	\$ 1,282,271	\$ -	\$ 28,508	\$ -	\$ 31,242	\$ 14,283,475
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – LOANS AND FINANCINGS (Continued)

	2024							
	Term Loans and Financings by Year of Origination						Revolving	Total
	2024	2023	2022	2021	2020	Prior		
Commercial Real Estate								
Pass	\$ 24,573,372	\$ 28,098,927	\$ 24,510,307	\$ 17,896,061	\$ 7,485,546	\$ 13,077,399	\$ -	\$ 115,641,612
Classified - performing	-	-	522,825	405,920	-	1,161,401	-	2,090,146
Classified - nonperforming	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Commercial Real Estate	\$ 24,573,372	\$ 28,098,927	\$ 25,033,132	\$ 18,301,981	\$ 7,485,546	\$ 14,238,800	\$ -	\$ 117,731,758
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial								
Pass	\$ 16,355,311	\$ 20,752,296	\$ 1,002,556	\$ 143,869	\$ 312,119	\$ 372,555	\$ -	\$ 38,938,706
Classified - performing	19,541	-	-	-	14,705	41,439	-	75,685
Classified - nonperforming	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Commercial	\$ 16,374,852	\$ 20,752,296	\$ 1,002,556	\$ 143,869	\$ 326,824	\$ 413,994	\$ -	\$ 39,014,391
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Real Estate								
Performing	\$ 31,083,468	\$ 101,365,459	\$ 260,497,721	\$ 16,004,336	\$ 5,815,786	\$ 4,354,278	\$ 190,464,716	\$ 609,585,764
Substandard	-	198,287	2,041,265	579,339	1,215,042	2,470,027	-	6,503,960
Total Residential Real Estate	\$ 31,083,468	\$ 101,563,746	\$ 262,538,986	\$ 16,583,675	\$ 7,030,828	\$ 6,824,305	\$ 190,464,716	\$ 616,089,724
Current period gross write-offs	\$ -	\$ -	\$ 39,449	\$ -	\$ -	\$ -	\$ -	\$ 39,449
Consumer/Credit Card								
Performing	\$ 6,536,038	\$ 2,375,892	\$ 554,762	\$ -	\$ 18,238	\$ 20,027	\$ 33,809	\$ 9,538,766
Substandard	-	-	-	-	-	-	-	-
Total Consumer/Credit Card	\$ 6,536,038	\$ 2,375,892	\$ 554,762	\$ -	\$ 18,238	\$ 20,027	\$ 33,809	\$ 9,538,766
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Modifications Made to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. In some cases, the Company will modify a certain loan or financing by providing multiple types of concessions, typically term extension or interest rate reduction. During the years ended December 31, 2025 and 2024, the Company did not have a significant amount of loan or financing modifications for borrowers experiencing financial difficulty.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – MORTGAGE BANKING ACTIVITIES

University Bank provides sub-servicing of real estate mortgage loans for over 300 financial institutions. The unpaid principal balance of these loans was approximately \$29.9 billion and \$30.6 billion as of December 31, 2025 and 2024, respectively. The value of the mortgage servicing rights associated with these sub-serviced loans belong to the customer and therefore are not included in the accompanying consolidated financial statements.

University Bank, Hyrex, and UIF sell residential mortgage loans and financings to the secondary market with servicing rights retained for selected loans and financings. These loans and financings are owned by other institutions and are not included in the Company's consolidated balance sheets, but the associated MSR's are included in the accompanying consolidated financial statements. Such mortgage loans and financings have been sold or assigned generally without recourse or with limited recourse. The unpaid principal balance of these loans and financings was \$4.2 billion and \$4.4 billion at December 31, 2025 and 2024, respectively.

Custodial escrow balances maintained in connection with these loans and financings were approximately \$516 million and \$402 million, of which approximately \$105 million and \$83 million were held at other banks and were not included in the accompanying consolidated financial statements at December 31, 2025 and 2024, respectively.

The following summarizes the activity relating to MSR's:

	December 31,	
	2025	2024
Balance, January 1	\$ 46,946,041	\$ 40,530,048
Amount capitalized	8,688,933	8,674,975
Reductions from sales	(8,158,836)	-
Change in fair value due to:		
Pay-offs and pay-downs	(4,847,037)	(3,671,118)
Changes in market conditions	1,009,198	1,412,136
Balance, December 31	<u>\$ 43,638,299</u>	<u>\$ 46,946,041</u>

During the year ended December 31, 2025, the Company sold MSR's for \$8,158,836 of which \$7,874,801 was received in 2025, and \$284,035 was recorded in accounts receivable in the December 31, 2025, consolidated balance sheet and is expected to be received in 2026.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – MORTGAGE BANKING ACTIVITIES (Continued)

The Company enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans and financings within specified times in the future. As of December 31, 2025 and 2024, IRLCs amounted to approximately \$46.1 million and \$39.8 million, respectively, of which management estimated approximately \$41.2 million and \$36.3 million, respectively, to eventually close and be funded. These IRLCs were recorded in assets in the consolidated balance sheets at a fair value of \$816,275 and \$430,919 as of December 31, 2025 and 2024, respectively.

The Company also utilizes forward loan and financing sales commitments in order to economically hedge the risk of potential changes in the value of the loans and financings that would result from the IRLCs. Forward sales commitments to fund loans and financings at specified rates amounted to approximately \$130.5 million and \$89.3 million as of December 31, 2025 and 2024, respectively. These forward commitments were recorded in the consolidated balance sheet at a fair value in liabilities of \$182,773 and assets of \$419,395 as of December 31, 2025 and 2024, respectively.

The net change in fair value of the IRLCs and the related forward loan and financing sales commitments held at December 31, 2025 and 2024 resulted in a loss of \$216,812 and a gain of \$688,804, respectively, which have been recognized in the noninterest income section in the consolidated statements of operations. These gains and losses are due principally to the inclusion of day one gains/losses associated with the adoption of fair value accounting as discussed in Note 22.

Market interest rate conditions can quickly affect the fair value of MSR, IRLCs, and forward loan and financing sales commitments in a positive or negative fashion, as long-term interest rates rise and fall. See Note 22 for further discussion of management's assumptions used in determination of fair value of these assets and liabilities.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 5 – PREMISES AND EQUIPMENT, NET

Premises and equipment consist of the following:

	December 31,	
	2025	2024
Land	\$ 1,520,363	\$ 1,520,363
Buildings and improvements	7,601,079	7,593,074
Furniture, fixtures, equipment and software	18,846,695	18,062,120
Construction in process	398,007	53,212
	<u>28,366,144</u>	<u>27,228,769</u>
Less accumulated depreciation and amortization	<u>(19,166,631)</u>	<u>(17,862,127)</u>
Premises and equipment, net	<u>\$ 9,199,513</u>	<u>\$ 9,366,642</u>

Depreciation and amortization expense related to premises and equipment amounted to \$1,319,187 and \$1,711,429 for the years ended December 31, 2025 and 2024, respectively.

Leases

The Company leases office space for its operations under operating leases. Several leases have an option to renew at the Company's discretion for an additional term. Only lease options that the Company believes are reasonably certain to be exercised are included in the measurement of lease assets and liabilities. The Company's present leases have a weighted average remaining term of 5.6 years. During the years ended December 31, 2025 and 2024, the Company recorded \$86,714 and \$288,544, respectively of operating lease right of use assets obtained in exchange for operating lease liabilities.

Maturities of operating lease liabilities for office space are as follows:

Years ending December 31,	Amount
2026	\$ 756,807
2027	725,403
2028	702,790
2029	496,866
2030	441,008
Thereafter	<u>630,583</u>
Total minimum future payments	3,753,457
Less: Present value discount	<u>(541,461)</u>
Present value of operating lease liabilities	<u>\$ 3,211,996</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 5 – PREMISES AND EQUIPMENT, NET (Continued)

Leases (Continued)

The weighted average discount rate used to calculate the present value of future lease payments was 5.8%. Operating lease expense for the years ended December 31, 2025 and 2024 totaled \$1,422,248 and \$1,262,986, respectively. These operating lease expense amounts include short-term and variable lease expense.

NOTE 6 – DERIVATIVES DESIGNATED AS HEDGES – INTEREST RATE SWAPS

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of an interest rate swap does not represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amount and the other terms of the individual interest rate swap agreement.

The Company's interest rate swaps were entered into during 2023 and 2025 and are designated as cash flow hedges of certain unsecured debt. These cash flow hedges were determined to be effective during all periods presented in the consolidated financial statements and are expected to remain effective during the remaining term of each swap.

To minimize the effect of changes in adjusting interest rates, during 2023 the Company entered into an interest rate swap agreement under which it pays interest quarterly at a fixed 3.21% rate and receives interest quarterly at the 3 month Secured Overnight Financing Rate ("SOFR") on the notional amount of \$28,000,000 (the 3 month SOFR was 4.01% and 4.69% at December 31, 2025 and 2024, respectively) commencing January 31, 2028 up to January 31, 2033.

During 2025, the Company entered into another interest rate swap agreement under which it pays interest quarterly at a fixed 4.14% rate and receives interest quarterly at the daily SOFR on the notional amount of \$15,000,000 (the daily SOFR was 3.87% at December 31, 2025) commencing January 31, 2030 up to January 31, 2035.

As of December 31, 2025 and 2024, the fair value of the interest rate swaps were determined to be an asset of \$513,139 and \$889,071, respectively. During the years ended December 31, 2025 and 2024, the change in fair value of the interest rate swaps totaled a loss of \$375,932 and a gain \$889,071, respectively, and was recorded in other comprehensive income.

The Company did not have any fair value hedges during the years ended December 31, 2025 and 2024.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 7 – GOODWILL

Goodwill consists of the following:

	December 31,	
	2025	2024
AAIC	<u>\$ 319,067</u>	<u>\$ 319,067</u>

During the years ended December 31, 2025 and 2024, the Company recorded goodwill impairment totaling \$-0- and \$103,914, respectively.

NOTE 8 – CUSTOMER RELATIONSHIPS, NET

During 2020, AAIC acquired customer relationships of \$620,691 as part of the acquisition of a local insurance agency. These customer relationships are being amortized on a straight-line basis over their estimated economic lives, which were determined to be 10 years. Amortization expense amounted to \$62,068 for each of the years ended December 31, 2025 and 2024, respectively. The carrying value of customer relationships totaled \$258,625 and \$320,693 at December 31, 2025 and 2024, respectively.

NOTE 9 – TIME DEPOSITS

Non-brokered time deposit liabilities issued in denominations of \$250,000 or more were \$30,357,303 and \$22,576,232 at December 31, 2025 and 2024, respectively.

At December 31, 2025, stated maturities of time deposits were:

Years ending December 31,	Non-brokered time	Brokered time
2026	\$ 67,519,185	\$ 44,784,000
2027	2,001,787	64,825,000
2028	3,401,016	113,475,000
2029	988,067	-
2030 and thereafter	2,697,202	20,000,000
	<u>\$ 76,607,257</u>	<u>\$ 243,084,000</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 10 – CONTINGENT CONSIDERATION LIABILITY

The Company has a contingent consideration agreement as part of a 2019 acquisition, which could require the Company to pay the former owner annually through 2025 if certain loan production thresholds are met. The fair value of the contingent consideration liability related to the acquisition was \$-0- as of December 31, 2024. No contingent consideration payments were made during the years ended December 31, 2025 and 2024. This agreement matured in 2025 with no payments due to the former owner.

NOTE 11 – INCOME TAXES

Income tax expense (benefit) is summarized as follows:

	December 31,	
	2025	2024
Current expense (benefit)		
Federal	\$ 827,297	\$ 16,692
State	211,642	200,991
	<u>1,038,939</u>	<u>217,683</u>
Deferred expense (benefit)		
Federal	\$ 1,229,144	\$ 2,459,052
State	44,703	85,499
	<u>1,273,847</u>	<u>2,544,551</u>
Income tax expense, net	<u>\$ 2,312,786</u>	<u>\$ 2,762,234</u>

The Company adopted ASU 2023-09 on a prospective basis beginning with the year ended December 31, 2025. A reconciliation of income tax expense at the U.S. federal statutory rate to the Company's actual income tax expense for the year ended December 31, 2025 is as follows:

	2025	
	Amount	Rate
Statutory rate	\$ 2,579,659	21.0%
Increase (decrease) resulting from:		
State and local taxes, net of federal benefit (1)	236,706	1.9%
Non-taxable or non-deductible items:		
Captive income excluded	(186,234)	-1.5%
Other	9,531	0.1%
Investment tax credits - solar	(353,553)	-2.9%
Other - true up	26,677	0.2%
Income tax expense	<u>\$ 2,312,786</u>	<u>18.8%</u>

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

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 11 – INCOME TAXES (Continued)

The following table presents the required disclosures prior to our adoption of ASU 2023-09 and a reconciliation of the U.S. federal statutory rate to the Company's actual income tax rate for the year ended December 31, 2024:

	<u>2024</u>
Statutory rate	21.0%
State income taxes, net of federal benefit	1.5%
Permanent differences	-1.1%
Investment tax credits - solar	-3.1%
Other	<u>0.6%</u>
Effective rate	<u><u>18.9%</u></u>

Income Taxes Paid

The Company adopted ASU 2023-09 on a prospective basis for the year December 31, 2025 and have included the following table as a result of adoption, which presents income taxes paid, net of refunds received, for the year ended December 31, 2025, with disclosure of jurisdictions in which income taxes paid, net of refunds, exceeded 5 percent of total income taxes paid, net of refunds.

	<u>2025</u>
Federal	\$ 16,692
State	
California	39,390
Indiana	160,840
Minnesota	30,000
New Jersey	20,000
Virginia	37,500
Other	<u>31,977</u>
Income taxes paid, net of refunds	<u><u>\$ 336,399</u></u>

For the year ended December 31, 2024, income taxes paid, net of refunds received was \$72,165.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 11 – INCOME TAXES (Continued)

Significant components of the Company’s deferred income tax assets and liabilities consist of the following:

	December 31,	
	2025	2024
Deferred income tax assets:		
Allowance for credit losses and recourse liabilities	\$ 939,503	\$ 1,122,190
Equity securities	-	726,860
Tax credits	3,062,188	1,362,003
Other	247,775	230,613
	<u>4,249,466</u>	<u>3,441,666</u>
Deferred income tax liabilities:		
Equity securities	(258,929)	-
Mortgage and financing servicing rights	(10,036,809)	(10,797,589)
Derivatives and LHFS	(936,602)	(456,954)
Derivatives designated as hedges	(118,022)	(204,486)
Premises and equipment	(643,838)	(709,194)
Other	(5,110)	(4,091)
	<u>(11,999,310)</u>	<u>(12,172,314)</u>
Net deferred tax liability	<u>\$ (7,749,844)</u>	<u>\$ (8,730,648)</u>

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before calendar year 2022.

Investment in Tax Credit Structures

During each of the years ended December 31, 2025 and 2024, the Company entered into a commitment to invest in solar tax credit structures. During the years ended December 31, 2025 and 2024, the Company invested \$2,750,317 and \$3,002,743, respectively, in these structures. At December 31, 2025 and 2024 the balance of the unamortized investment in the solar tax credit structures was \$632,104 and \$61,463, respectively, which is included in “other assets” in the consolidated balance sheets. Total unfunded commitments related to the investment in the solar tax credit structures totaled \$451,930 at December 31, 2025. The Company expects to fulfill this commitment during the year ending December 31, 2026.

During the years ended December 31, 2025 and 2024, the Company recognized amortization expense of \$2,179,676 and \$2,941,280, respectively, which was included in income tax expense in the consolidated statement of operations.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 11 – INCOME TAXES (Continued)

Investment in Tax Credit Structures (Continued)

Additionally, during the years ended December 31, 2025 and 2024, the Company recognized tax credits and other benefits from its investment in the tax credit structure of \$2,423,378 and \$3,387,285, respectively. The Company has not incurred any impairment losses related to these tax credits.

NOTE 12 – CONVERTIBLE PREFERRED STOCK

On November 10, 2025, the Company issued 25,000 shares of series 6 convertible non-voting preferred stock to an investor for cash of \$25,000,000. The Company incurred costs related to the issuance of these preferred shares totaling \$262,567. As a result, net proceeds from the transaction amounted to \$24,737,433.

The Company's series 6 preferred stock has a liquidation preference over common stock. The series 6 preferred shares have a \$1,000 per share liquidation value, on which noncumulative dividends are paid quarterly, only if declared by the Company's Board of Directors, at 6% per annum prior to the 5th anniversary of the issue date, and at 12% per annum thereafter.

The series 6 preferred shares are convertible, at the sole option of the holder, in whole or in part, into shares of common stock (except that, once the holder and its affiliates control in the aggregate 9.9% of the Company's common stock, such conversion shall be into series 7 preferred stock or, after shareholder approval, non-voting common stock). Each share of series 6 preferred stock can be converted into common stock initially at a rate of \$19.05 in preferred stock liquidation value per common share. The conversion price is subject to certain antidilution provisions as defined in the stock certificate of designation.

Following the 5th anniversary of the issue date, the Company may redeem the shares of series 6 preferred stock, in whole but not in part, as follows: (a) if the Company has filed a registration statement and such statement has been declared effective by the U.S. Securities and Exchange Commission (the "SEC"), and if the closing price of the common stock is greater than 150% of the conversion price (without taking into account any downward adjustment thereto in accordance with the definition thereof) for any 20 trading days within a period of 30 consecutive trading days, at the redemption price of \$1,000 per share, plus declared but unpaid dividends; or (b) if the Company has not filed a registration statement or it has not been declared effective by the SEC, at the redemption price of \$2,000 per share, plus declared but unpaid dividends. In addition and notwithstanding the above, the Company may redeem, in whole but not in part, the shares of series 6 preferred stock at any time following a capital event as defined in the stock certificate of designation, at a redemption price of \$1,000 per share, plus declared but unpaid dividends.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 12 – CONVERTIBLE PREFERRED STOCK (Continued)

During the year ended December 31, 2025, the Company declared preferred dividends totaling \$212,500 which are accrued in the consolidated balance sheet at December 31, 2025.

As discussed above, the series 6 preferred shares could be converted into series 7 preferred stock or non-voting common stock. The Company did not have any outstanding shares of series 7 preferred stock or non-voting common stock as of December 31, 2025 or 2024.

Series 7 preferred shares do not have a liquidation preference over common stock, and rank pari passu with common stock with respect to dividends. The series 7 preferred shares are non-voting and not redeemable, but are convertible, at the option of the holder, in whole or in part, into shares of common stock (up until the current holder of the series 6 preferred stock and its affiliates control in the aggregate 9.9% of the Company's common stock). Each share of series 7 preferred stock can be converted into common stock at a rate of 52.4934 shares of common stock per share of series 7 preferred stock. Each share of series 7 preferred stock will automatically convert into 52.4934 shares of common stock on the date the series 7 preferred stock is transferred to a non-affiliate of the current holder. Each share of series 7 preferred stock will automatically convert into 52.4934 shares of non-voting common stock on the date that the Company shall have filed an amendment to its certificate of incorporation to authorize a class of non-voting common stock.

The Company has 3,000,000 authorized shares of non-voting common stock with a par value of \$0.01 per share. Non-voting common shares do not have a liquidation preference over common stock, and rank pari passu with common stock with respect to dividends. The non-voting common shares are not redeemable, but are convertible, at the option of the holder, in whole or in part, into shares of common stock (up until the current holder of the series 6 preferred stock and its affiliates control in the aggregate 9.9% of the Company's common stock). Each share of non-voting common stock can be converted into one share of common stock. Each share of non-voting common stock will automatically convert into one share of common stock on the date the non-voting shares are transferred to a non-affiliate of the current holder of the series 6 preferred stock.

NOTE 13 – NONCONTROLLING INTEREST

Included in the consolidated financial statements are the results for UIF. The Bank owns 80% of the common stock of UIF. An outside investor owns the remaining 20%. At December 31, 2025 and 2024, total equity of UIF was \$64,551,788 and \$59,807,703, respectively. The noncontrolling interest at December 31, 2025 and 2024 was \$12,910,358 and \$11,961,541, respectively.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 14 – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Basic earnings per share		
Net income attributable to stockholders	\$ 9,022,486	\$ 10,467,383
Less: dividends on preferred stock	<u>(212,500)</u>	<u>-</u>
Net income attributable to common stockholders	<u>\$ 8,809,986</u>	<u>\$ 10,467,383</u>
Weighted-average common shares outstanding	5,169,518	5,169,518
Basic earnings per share	\$ 1.70	\$ 2.02
Diluted earnings per share		
Net income attributable to common stockholders - diluted	<u>\$ 8,809,986</u>	<u>\$ 10,467,383</u>
Weighted-average common shares outstanding - basic	5,169,518	5,169,518
Dilutive effect of stock options	<u>-</u>	<u>-</u>
Weighted-average common shares outstanding - diluted	<u>5,169,518</u>	<u>5,169,518</u>
Diluted earnings per share	\$ 1.70	\$ 2.02

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 15 – EMPLOYEE RETIREMENT PLANS

ESOP and 401(k) Plan

The Bank has an employee stock ownership and retirement savings plan (the “Plan”) that allows employees of the Bank, the Bank’s subsidiaries, and Hyrex to contribute a portion of their salary pre-tax, to the allowable limit prescribed by the Internal Revenue Service (the “401(k) Component”). Management has discretion to make matching contributions to the Plan. All amounts have been funded or accrued at each respective balance sheet date. Matching contributions for the years ended December 31, 2025 and 2024 totaled \$-0- and \$1,426,768, respectively.

The Company may also make discretionary contributions to the employee stock ownership component (the “ESOP Component”). A participant’s share in the Company’s ESOP contribution is based on his or her current compensation as a percentage of total employee compensation. Upon retirement from the Company, participants can receive distributions of their allocated shares of the Company’s stock. At December 31, 2025, the Company had accrued \$106,221, which is expected to be contributed to the ESOP in 2026. At December 31, 2024, the Company had accrued \$177,204, which was contributed during 2025. Compensation expense related to the ESOP contributions amounted to \$199,392 and \$275,356, during the years ended December 31, 2025 and 2024, respectively.

The annual contribution to the ESOP is at the discretion of the Board of Directors. Assets of the ESOP include 253,003 and 239,003 shares of the Company’s stock at December 31, 2025 and 2024, respectively, all of which were fully allocated. The shares of the ESOP are held in trust and were valued at \$4,822,237 and \$3,943,550 at December 31, 2025 and 2024, respectively.

Cash Balance Pension Plan

The Company also has a cash balance pension plan (the “CBPP”), with an effective date of January 1, 2025, that covers substantially all full-time employees of the Company, except for financing originators, which are participants in the deferred incentive plan described below. Each participant’s retirement benefit is expressed as a dollar amount in an account that grows with annual compensation-based credits based on a percentage of the participant’s compensation, and profit sharing-based credits on the participant’s account balance. The profit sharing crediting rate is a guaranteed fixed rate of 5% annually. Participant accounts are 100% vested after three years. During the year ended December 31, 2025, the Company incurred expense of \$1,902,808 related to contributions to the CBPP, of which \$137,201 was accrued as of December 31, 2025.

Participants are eligible for a lump-sum distribution upon termination equal to the vested hypothetical account balance, or a lifetime annuity equivalent. As of December 31, 2025, the projected benefit obligation of the entire plan, including all participating entities, was \$1,956,764, and the plan assets were \$1,805,737. Investment risks are borne entirely by the Company, not the participants.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 15 – EMPLOYEE STOCK OWNERSHIP AND RETIREMENT SAVINGS PLAN
(Continued)

Deferred Incentive Plan

The Company also has a deferred incentive plan (the “DIP”), with an effective date of January 1, 2025, that covers any employee or service provider at the discretion of the Company. The Company may grant awards under the DIP at its discretion, with no obligation to grant awards on a uniform basis. Each participant’s deferred incentive is expressed as a dollar amount in an account that grows with discretionary awards, and profit sharing-based credits on the participant’s account balance. The profit sharing crediting rate is a guaranteed fixed rate of 5% on each of the first, second, and third anniversaries of the grant date of each respective award. Participant accounts are 100% vested after three years. During the year ended December 31, 2025, the Company incurred expense of \$698,783 related to contributions to the DIP, of which \$51,100 was accrued as of December 31, 2025.

Payment of each respective award and the related profit sharing is due 30 days after vesting. As of December 31, 2025, the projected benefit obligation of the entire plan, including all participating entities, was \$717,580 and the plan assets were \$649,467. Investment risks are borne entirely by the Company, not the participants.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commitments

The Bank is party to 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 fund lines of credit and credit card limits. The Bank’s exposure to credit loss in the event of non-performance is equal to or less than the contractual amount of these instruments. The Bank follows the same credit policy to make such commitments as that followed by loans recorded in the consolidated financial statements.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

Commitments (Continued)

The following is a summary of commitments:

	December 31,	
	<u>2025</u>	<u>2024</u>
Unused lines of credit	\$ 52,433,783	\$ 51,860,754
Commitment to fund residential loans	98,220,062	90,806,411
Commitment to fund commercial loans	12,250,000	8,637,299
Unused credit card limits	508,436	406,380
Unused home equity lines of credit	129,204,067	73,813,806
Unused commitments for residential construction	<u>24,872,978</u>	<u>13,190,717</u>
	<u>\$ 317,489,326</u>	<u>\$ 238,715,367</u>

During 2025, the Parent entered into a financing arrangement, under which the Parent has committed to a \$4,000,000 line of credit with a customer. There were no outstanding draws on this line of credit as of December 31, 2025, and the line matures in November 2026.

Loss Reserves

Crescent is a participant in a quota share reinsurance agreement with other unrelated captive insurance companies collectively referred to as the “Pool”. The reinsurance agreement is between Crescent and each Pool participant. The quota share participation percentage includes a portion of Crescent’s own ceded Pool premium. The premium ceded by Crescent is then pooled with the ceded premiums from all other participating captives and redistributed back to each captive as assumed premium according to its participation percentage. Ceded and assumed losses are treated in the same manner. The reinsured claims are subject to per occurrence limits up to \$1,500,000, excess varying deductibles, and aggregate limits up to \$3,500,000 per participant. The policies are written on a claims-made basis of coverage within the policy year and include a 60-day extended reporting period.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 16 – COMMITMENTS AND CONTINGENCIES (Continued)

Loss Reserves (Continued)

The liability for loss and loss adjustment expense reserves represents the estimated ultimate net cost of all reported and unreported losses incurred through the balance sheet date. The loss reserves are estimated on an undiscounted basis, using individual case-basis valuations and statistical analyses utilizing actuarial studies of Crescent's historical experience and industry data. In establishing its aggregate liability for loss and loss adjustment expenses, the Company utilizes the findings of an independent consulting actuary. The principal methodologies utilized by the actuary are the loss development method and the Bornhuetter-Ferguson method. Crescent projects an estimate of ultimate loss and loss adjustment expenses at each reporting date. Although considerable variability is inherent in such estimates, management believes the loss reserves are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. However, because of uncertainty associated with the limited population of insured risks, current economic conditions, judicial decisions, legislation and other matters, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liabilities at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements.

Crescent's loss and loss adjustment expense reserves at December 31, 2025 and 2024 totaled \$99,503 and \$106,000, respectively, and are included in accrued expenses and other liabilities in the consolidated balance sheet.

Contingencies

The Company from time to time may maintain cash balances with other financial institutions in excess of insured limits. Management has deemed this as a normal business risk.

The Company has been party to various legal claims that have arisen from time to time in the normal course of business. Any impact of these legal claims has been reflected in the Company's consolidated financial statements.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 17 – RELATED PARTY TRANSACTIONS

Available lines of credit to directors, officers and their affiliates at both December 31, 2025 and 2024 amounted to \$110,000 and \$90,000, respectively, of which \$9,256 and \$15,171 had been borrowed against, respectively. The Company has closed and sold related party loans during the normal course of business. These loans were performing pursuant to terms at December 31, 2025 and 2024.

The Bank had demand deposits of \$1,293,661 and \$1,363,992 from directors, officers and their affiliates as of December 31, 2025 and 2024, respectively. The Bank also holds demand deposits from various employees in the normal course of business.

NOTE 18 – LINES OF CREDIT

The Bank has a line of credit available from the FHLB. The limit on this line is \$25,000,000 as of December 31, 2025 and 2024. The line is secured by the pledge of specific mortgage loans held for investment along with FHLB stock. At December 31, 2025 and 2024, the Bank's outstanding balance on the line was \$4,429,724 and \$-0-, respectively. The interest rate on the line as of December 31, 2025 was 4.02%. This line matures in May 2026.

During 2022, the Parent entered into a \$10,000,000 line of credit with a bank with interest due quarterly at the prime rate, with a floor of 3.25% and a ceiling of 6.25%. The Parent could borrow on this line through October 2024, on which date any outstanding balance converted to a term note with payments due quarterly based on a 120-month amortization, with a balloon payment due at maturity in October 2025. The line expired in October 2024 as the Parent had no outstanding balance on the line. This line was secured by certain assets, including a life insurance policy and all outstanding shares of common stock of University Bank. The line was subject to certain restrictive financial covenants.

The Company also has a \$1,000,000 revolving warehouse line of credit with a bank so that UIF could meet a state licensing requirement. The Company does not intend to draw on this line. Interest on this line is at the greater of the prime rate or 4%. This line is secured by financings and matures in August 2026. At both December 31, 2025 and 2024, there was no outstanding balance on this line of credit.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 19 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

FHLB Advances

In addition to the FHLB line of credit discussed in Note 18, the Company regularly borrows money from the FHLB on a short-term basis. At December 31, 2025 and 2024, the Company could take advances up to approximately \$270,900,000 and \$254,300,000, respectively. At December 31, 2025 and 2024, the Company had amounts due to the FHLB for short-term advances totaling \$62,000,000 and \$90,000,000, respectively. The outstanding advances at December 31, 2025 bore interest at 3.79% per annum, and all mature in 2026. The Company had additional borrowing capacity under this FHLB advance line of approximately \$208,900,000 and \$164,300,000 as of December 31, 2025 and 2024, respectively, which was based on qualified collateral, as determined by the FHLB.

Unsecured Debt

At December 31, 2022, the Parent had subordinated debt totaling \$14,500,000, and during the year ended December 31, 2023 issued additional subordinated debt totaling \$13,500,000 (collectively, the “2022/2023 Notes”). The 2022/2023 Notes have a maturity date of January 31, 2033, and bear interest at 8.25% through January 31, 2028, and at a variable rate tied to SOFR thereafter until maturity. Principal is due at maturity, and interest is due semi-annually. The Company has the option to redeem all or a part of the 2022/2023 Notes beginning on January 31, 2028, or earlier in the event of a Tier 2 Capital Event, Tax Event, or Investment Company Event, as defined in the 2022/2023 Notes. The outstanding principal balance of the 2022/2023 Notes totaled \$28,000,000 at both December 31, 2025 and 2024.

During the year ended December 31, 2024, the Parent issued additional unsecured debt totaling \$15,000,000 (the “2024 Notes”). The 2024 Notes bear interest at 9.25% through the maturity date of January 31, 2030 and are senior unsecured debt. Principal is due at maturity, and interest is due semi-annually. The Company has the option to redeem all or a part of the 2024 Notes beginning on January 31, 2028, as defined in the 2024 Notes. The outstanding principal balance of the 2024 Notes totaled \$15,000,000 at both December 31, 2025 and 2024. The 2022/2023 Notes are subordinated to the 2024 Notes in priority of repayment.

In conjunction with the issuance of the 2022/2023 Notes and the 2024 Notes, the Company incurred debt issuance costs which are amortized to interest expense over the term of the respective notes. As a result, the carrying value of the outstanding unsecured debt amounted to \$42,178,713 and \$42,063,705 in the consolidated balance sheet at December 31, 2025 and 2024, respectively.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 20 – REGULATORY MATTERS

Dividend Restriction

Banking regulations require the maintenance of certain capital levels and limits the amount of dividends that may be paid by a bank to a holding company or by a holding company to shareholders. The Bank paid dividends to University Bancorp, Inc. totaling \$6,063,700 and \$4,840,000 during the years ended December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, University Bancorp, Inc. also made contributions to the Bank totaling \$2,550,000 and \$1,709,718, respectively. University Bancorp, Inc. declared common stock dividends totaling \$1,550,855 and \$1,550,856 during the years ended December 31, 2025 and 2024, respectively.

Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

The Economic Growth, Regulatory Relief, and Consumer Protection Act was passed in 2018. Included among the provisions was the Community Bank Leverage Ratio ("CBLR"), a special alternative capital framework available only to banks holding less than \$10 billion in assets. On April 6, 2020, the federal banking regulators issued interim rules which modified the CBLR framework so that: (i) beginning in the second quarter 2020 through the end of 2020, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework; and (ii) community banking organizations had until January 1, 2022, before the CBLR requirement was reestablished at greater than 9%. Under the interim rules, the minimum CBLR was 8% beginning in the second quarter and for the remainder of calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. The interim rules also maintain a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 1% below the applicable community bank leverage ratio.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 20 – REGULATORY MATTERS (Continued)

Regulatory Capital Requirements (Continued)

The Bank has opted into the CBLR framework. At December 31, 2025 and 2024, the Bank's CBLR ratio was 10.12% and 10.39%, respectively, which exceeded the regulatory capital requirements under the CBLR framework and the Bank was considered to be "well-capitalized". Federal law requires each federal banking agency to take prompt corrective action to resolve the problems of insured financial institutions, including but not limited to those that fall below one or more of the prescribed minimum capital ratios. As discussed above, a qualifying community banking organization, such as the Bank, that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the prompt corrective action regulations and will not be required to report or calculate risk-based capital.

NOTE 21 – OTHER CAPITAL REQUIREMENTS

The Bank, Hyrex and UIF are each subject to certain capital requirements in connection with seller/servicer agreements that these entities have entered into with secondary market investors. Failure to maintain minimum capital requirements could result in these entities' inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on the Company's consolidated financial statements.

The Bank's, Hyrex's and UIF's actual capital amounts and the minimum amounts required for capital adequacy purposes, by investor, are as follows:

	<u>Actual Capital</u>	<u>Minimum Capital</u>
As of December 31, 2025:		
Bank		
HUD	\$ 110,916,434	\$ 2,174,294
FHLMC	\$ 120,666,009	\$ 14,066,289
FNMA	\$ 120,666,009	\$ 14,066,289
GNMA	\$ 119,894,851	\$ 14,255,749
Hyrex		
HUD	\$ 3,842,733	\$ 1,000,000
FHLMC	\$ 4,104,176	\$ 3,256,693
FNMA	\$ 4,104,176	\$ 3,256,693
UIF		
FHLMC	\$ 60,802,650	\$ 10,500,235
FNMA	\$ 60,802,650	\$ 10,500,235

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 21 – OTHER CAPITAL REQUIREMENTS (Continued)

	<u>Actual Capital</u>	<u>Minimum Capital</u>
As of December 31, 2024:		
Bank		
HUD	\$ 100,525,997	\$ 2,500,000
FHLMC	\$ 95,879,139	\$ 14,622,235
FNMA	\$ 95,879,139	\$ 14,622,235
GNMA	\$ 111,225,984	\$ 14,684,911
Hyrex		
HUD	\$ 5,095,048	\$ 1,000,000
FHLMC	\$ 5,245,133	\$ 3,346,631
FNMA	\$ 5,245,133	\$ 3,346,631
UIF		
FHLMC	\$ 55,119,198	\$ 9,856,539
FNMA	\$ 55,119,198	\$ 9,856,539

As of December 31, 2025 and 2024, the Bank, Hyrex, and UIF were also each required to have a minimum amount of liquid assets under certain liquidity requirements.

NOTE 22 – FAIR VALUE MEASUREMENTS

The ASC standards establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining which hierarchical level an asset or liability falls within requires significant judgment.

Hierarchical levels, as defined by the standards and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: 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 for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

Because valuation methodologies require the use of subjective assumptions, changes in these assumptions can materially affect fair value. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A description of the valuation methodologies used by the Company for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investment Securities

The fair value of the securities represents the amount the Company would realize upon sale of the securities currently in the portfolio. The Company receives current fair values of its marketable debt securities from The Federal Home Loan Bank on a monthly basis as part of its collateral positions. These marketable debt securities are Level 2 assets in the valuation hierarchy. The Company determines the fair value of its marketable equity securities and equity securities sold not yet purchased, using quoted prices in active markets. Hence, these marketable equity securities and equity securities sold not yet purchased are Level 1 assets in the valuation hierarchy. The Company determines the fair value of its non-marketable equity securities using a price-based methodology, which utilizes, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued, along with quantitative assessments of the fair value of securities using various valuation methodologies and involves the use of estimates. Hence, these non-marketable equity securities are Level 3 assets in the valuation hierarchy.

Loans and Financings Held for Sale or Assignment

The Company elected to account for certain loans and financings held for sale or assignment at fair value. These loans and financings held for sale or assignment are recorded at fair value based on quoted market prices, where available, or are determined by discounting cash flows using interest rates approximating the Company's current origination rates for similar loans and financings and adjusted to reflect the inherent credit risk. In most situations, these loans and financings are locked into buckets to be sold under forward loan and financing sales commitments (as discussed below), in which case the fair value of these loans and financings held for sale or assignment are approximated by the value to be received soon thereafter under the forward sales commitments. Loans and financings held for sale or assignment are Level 2 assets in the valuation hierarchy. Net changes in the fair value of the Company's loans and financings held for sale or assignment are included in earnings. The net change in fair value of loans and financings held for sale or assignment at December 31, 2025 and 2024 was a gain of \$3,457,428 and \$1,136,443, respectively, which is included in the noninterest income section in the consolidated statements of operations.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

MSRs

The fair value of MSRs represents the amount that the Company would receive upon the sale of the MSRs. The Company receives an independent valuation of its MSRs on a quarterly basis. The fair value of MSRs is determined by projecting cash flows which are then discounted to estimate an expected fair value. The fair value of MSRs is impacted by a variety of quantitative factors (including a range of the assumptions used): expected servicing life (2.3-9.4 years), discount rates (9%-11%), float rate (1.5%), servicing costs (\$76.5-\$93), and underlying observable portfolio characteristics. Because many of these inputs are not transparent in market trades, MSRs are Level 3 assets in the valuation hierarchy.

Derivatives – IRLCs and Forward Commitments

The Company estimates the fair value of an IRLC subsequent to inception of the commitment. In estimating the fair value of an IRLC, the Company assigns a probability to the loan or financing commitment based on an expectation that it will be exercised, and the loan or financing will be funded. The fair value of IRLCs, while based on interest rates observable in the market, is highly dependent on the ultimate closing of the loans or financings. These “pull-through” rates are based on the Company’s historical data and reflect an estimate of the likelihood that a commitment will ultimately result in a closed loan or financing.

Also, the fair value of these commitments is derived from the fair value of the related mortgage loans or financings. Unobservable quantitative factors used in the valuation of IRLCs include the following (including a range of the assumptions used): pull-through rates (65%-99%). Because some inputs are not transparent in market trades, IRLCs are Level 3 assets or liabilities in the valuation hierarchy. Changes in the fair value of the IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised, and the passage of time. Changes from the expected future cash flows related to the customer relationship or loan or financing servicing are excluded from the valuation of IRLCs.

The fair value of forward sales commitments is based primarily on the fluctuation of interest rates between the date on which the particular forward sales commitment was entered into and year end. Unobservable inputs include (including a range of the assumptions used): volatility, counterparty credit risk. Forward commitments are considered to be Level 3 assets or liabilities in the valuation hierarchy.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

Derivatives Designated As Hedges – Interest Rate Swaps

The Company's interest rate swaps are valued based on models using market interest rates, the fixed interest rate on the notional amount of each swap, the floating rate on the notional amount, and volatility factors to value each position. The fair value of the interest rate swaps are determined using quantitative models that utilize multiple market inputs (Level 2). The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Real Estate Owned

Real estate properties acquired in collection of a loan or financing are recorded at fair value upon foreclosure, establishing a new cost basis. After foreclosure, management periodically performs valuations to ensure real estate is carried at lower of cost or fair value, less estimated costs to sell. Fair value of the real estate is estimated by considering appraisals, which are updated on a periodic basis to reflect current housing market conditions.

Contingent Consideration Liability

The fair value of the contingent consideration liability is determined by management based on projected future originations, which drives the amount of the contingent consideration obligation that will actually be paid. As this measure is based on significant inputs that are not observable in the market, the Company classifies the contingent consideration liabilities within level 3.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2025			
Assets:			
Investment securities	\$ 22,790,517	\$ 33,377	
Loans and financings held for sale or assignment		\$ 99,467,151	
Derivatives designated as hedges - interest rate swaps		\$ 513,139	
Mortgage and financing servicing rights			\$ 43,638,299
Interest and financing rate lock commitments			\$ 816,275
Liabilities:			
Forward sales commitments			\$ 182,773
Securities sold not yet purchased	\$ 1,204,140		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2024			
Assets:			
Investment securities	\$ 10,720,133	\$ 2,495,664	
Loans and financings held for sale or assignment		\$ 54,659,212	
Derivatives designated as hedges - interest rate swap		\$ 889,071	
Mortgage and financing servicing rights			\$ 46,946,041
Interest and financing rate lock commitments			\$ 430,919
Forward sales commitments			\$ 419,395
Liabilities:			
Contingent consideration			\$ -

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

The table below includes a roll forward of the fair value of assets and liabilities that are classified by the Company within Level 3 of the valuation hierarchy:

	<u>MSRs</u>	<u>IRLCs</u>	<u>Forward Sales Commitments</u>	<u>Contingent Consideration Liability</u>
Fair value at January 1, 2024	\$ 40,530,048	\$ 986,989	\$ (825,479)	\$ -
Purchases, sales, issuances, settlements, net	8,674,975	(986,989)	825,479	-
Net gains (losses)	<u>(2,258,982)</u>	<u>430,919</u>	<u>419,395</u>	<u>-</u>
Fair value December 31, 2024	46,946,041	430,919	419,395	<u>\$ -</u>
Purchases, sales, issuances, settlements, net	530,097	(430,919)	(419,395)	
Net gains (losses)	<u>(3,837,839)</u>	<u>816,275</u>	<u>(182,773)</u>	
Fair value December 31, 2025	<u>\$ 43,638,299</u>	<u>\$ 816,275</u>	<u>\$ (182,773)</u>	

During the year ended December 31, 2025, the only assets or liabilities valued at fair value on a nonrecurring basis was real estate owned which was recorded at a fair value of \$637,227. There were no assets or liabilities valued on a nonrecurring basis during the year ended December 31, 2024.

The methodologies for estimating the fair value of financial assets and financial liabilities that are not measured at fair value on a recurring or non-recurring basis are discussed below.

The estimated fair value approximates carrying value for cash and cash equivalents, FHLB stock, FHLB advances, accounts receivable, and accounts payable. The methodologies for other financial assets and financial liabilities are discussed below.

Loans and Financings

The fair value of fixed-rate loans and financings is estimated by discounting the future cash flows for each loan and financing category using the current rates at which similar loans or financings would be made to borrowers with similar credit ratings and for the same remaining maturities. These loans and financings are considered to be Level 2 assets in the valuation hierarchy. The fair value of adjustable-rate loans is assumed to approximate their carrying amount.

Time Deposits

The fair value of time deposits is estimated by discounting the future cash flows using the market rates offered for similar deposits with the same remaining maturities. These time deposits are considered to be Level 2 liabilities in the valuation hierarchy.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 22 – FAIR VALUE MEASUREMENTS (Continued)

Unsecured Debt

The fair value of fixed-rate debt is estimated by discounting the future cash flows using the current rates at which similar debt would be issued. This debt is considered to be a Level 2 liability in the valuation hierarchy.

The estimated fair values of financial instruments in which fair value differs from carrying value are as follows (in thousands):

	December 31,			
	2025		2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Significant financial assets:				
Securities, at amortized cost	\$ 18,431	\$ 17,695	\$ 16,593	\$ 15,267
Investment in unconsolidated affiliate	5,009	5,009	1,193	1,193
Loans and financings, net	883,308	869,177	777,626	763,215
Significant financial liabilities:				
Deposits:				
Time	319,691	320,755	300,784	302,123
Unsecured debt	43,000	43,000	43,000	43,000

All other financial instruments not presented in the table above had fair values that did not differ from their carrying values.

NOTE 23 – SEGMENT INFORMATION

The Company has one reportable segment, community banking. The Company's reportable segment is determined by Stephen Ranzini, the Chief Executive Officer, who is the designated chief operating decision maker ("CODM"), based upon information provided about the Company's products and services offered. The CODM will evaluate the financial performance of the Company's business components by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment. The Company generates revenue primarily by providing banking and mortgage services to its customers. Interest and profit-sharing expense, provisions for credit losses, and payroll and benefits provide the significant expenses in the segment. All operations are domestic. The CODM evaluates performance, allocates resources and makes key operating decisions based on consolidated net income that is reported in the Consolidated Statements of Operations. The measure of segment assets is reported in the Consolidated Balance Sheets as total consolidated assets.

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 24 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

CONDENSED BALANCE SHEET

	December 31, 2025
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 30,276,467
Equity securities, at fair value	22,790,517
Investment in University Bank	108,595,905
Investment in Crescent	2,627,590
Investment in Hyrex Holding	4,572,411
Derivatives designated as hedges	513,139
Other assets	<u>1,384,729</u>
Total assets	<u>\$ 170,760,758</u>
LIABILITIES AND EQUITY	
Securities sold not yet purchased, at fair value	\$ 1,204,140
Accounts payable and other liabilities	1,566,112
Accounts payable - University Bank	307,764
Subordinated debt	42,178,713
Dividends payable - preferred stock	<u>212,500</u>
Total liabilities	45,469,229
Total equity	<u>125,291,529</u>
Total liabilities and equity	<u>\$ 170,760,758</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 24 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION
(Continued)

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31, 2025
OTHER INCOME (LOSS)	
Dividends from subsidiaries	\$ 6,063,700
Interest and other dividend income	632,319
Origination and other fees	68,750
Net realized and unrealized gain (loss) on equity securities	411,712
Other income, net	<u>7,176,481</u>
EXPENSES	
Interest expense	3,698,495
Compensation and director related	157,000
Professional fees	665,563
Miscellaneous administrative expenses	115,508
Total expenses	<u>4,636,566</u>
Net loss before income taxes and equity in undistributed net income of subsidiaries	2,539,915
Income tax benefit	<u>(823,020)</u>
Net loss before equity in undistributed net income of subsidiaries	3,362,935
Equity in undistributed net income of subsidiaries	<u>5,659,551</u>
Net income attributable to stockholders	9,022,486
Preferred stock dividends	<u>212,500</u>
Net income attributable to common stockholders	<u>\$ 8,809,986</u>
Net income attributable to stockholders	\$ 9,022,486
Other comprehensive income (loss)	<u>(295,808)</u>
Comprehensive income attributable to stockholders	<u>\$ 8,726,678</u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 24 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION
(Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2025
OPERATING ACTIVITIES	
Net income attributable to stockholders	\$ 9,022,486
Adjustments to reconcile net income to net cash flows from operating activities:	
Amortization of debt issuance costs	115,008
Unrealized loss (gain) on equity securities	(4,286,038)
Realized gain (loss) on sale of equity securities	3,874,326
Net change in:	
Accounts receivable and other assets	(190,824)
Accounts payable and other liabilities	398,658
Equity in undistributed net income of subsidiaries	<u>(5,659,551)</u>
Net cash provided by operating activities	<u>3,274,065</u>
INVESTING ACTIVITIES	
Purchase of equity securities	(13,390,200)
Proceeds from sale of equity securities and securities not yet purchased	2,935,668
Investment in University Bank	(2,550,000)
Investment in Hyrex Holding	<u>(250,000)</u>
Net cash used in investing activities	<u>(13,254,532)</u>
FINANCING ACTIVITIES	
Proceeds from issuance of preferred stock	25,000,000
Payment for costs of issuance of preferred stock	(262,567)
Payment of common dividends	<u>(2,067,807)</u>
Net cash provided by financing activities	<u>22,669,626</u>
NET CHANGE IN CASH	12,689,159
Cash and Cash Equivalents, Beginning of Year	<u>17,587,308</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 30,276,467</u></u>

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 25 – SUBSEQUENT EVENTS

Line of Credit

In January 2026, the Parent entered into a \$12,500,000 line of credit with a bank with interest due quarterly at the prime rate, with a floor of 5% and a ceiling of 25%. Interest only payments commence on May 1, 2026, with a balloon payment due at maturity. The line expires February 2027. This line is secured by all outstanding shares of common stock of University Bank. The line is subject to certain restrictive financial covenants and has a 0.25% unused line fee.

Acquisition

On December 15, 2025, the Company signed definitive agreements to acquire three entities: Greater Pacific Bancshares, a bank holding company (“GPB”); Bank of Whittier, NA, a wholly owned subsidiary of GPB (“BOW”); and American Finance House LARIBA (“LARIBA”). LARIBA will be acquired and subsequently merged into UIF. The agreements have been unanimously approved by the board of directors of each company. The shareholders of LARIBA have unanimously voted to approve the merger of LARIBA into UIF. The transactions are expected to close in the second quarter of 2026 and are subject to closing conditions, including regulatory approvals and GPB shareholder approvals. In another related transaction, the 20% noncontrolling shareholder of UIF has executed an agreement to swap its common shares of UIF for common shares in the Parent, subject to the Parent closing on the acquisition of GPB, BOW, and LARIBA.

SUPPLEMENTARY INFORMATION

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors and Stockholders
University Bancorp, Inc. and Subsidiaries
Ann Arbor, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of University Bancorp, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Fort Wayne, Indiana
March 24, 2026**

**Report on Compliance for Each Major HUD Program and
Report on Internal Control Over Compliance Required
by the *Consolidated Audit Guide for Audits of HUD Programs***

Independent Auditor’s Report

Board of Directors and Stockholders
University Bancorp, Inc. and Subsidiaries
Ann Arbor, Michigan

Report on Compliance for Each Major HUD Program

Opinion on Each Major HUD Program

We have audited University Bank’s (the Bank) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the audit guide) that could have a direct and material effect on each of the Bank’s major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2025. The Bank’s major HUD programs and the related direct and material compliance requirements are as follows:

<u>Name of Major HUD Programs</u>	<u>Direct and Material Compliance Requirements</u>
Ginnie Mae Issuers of Mortgage-Backed Securities Program	Federal financial reports; eligibility to issue mortgage-backed securities; review of the custodial documents; issuer’s administration of pooled mortgages; review of monthly accounting reports and quarterly submissions; securities marketing and trading practices; adjusted net worth; institution wide capital requirements; and liquid asset requirements.
FHA – Approved Lenders Program – Title II	Quality control plan; loan origination; loan servicing; federal financial and activity reports; lender annual recertification; adjusted net worth; liquidity and licensing; loan settlement; escrow accounts and kickbacks

In our opinion, University Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2025.

Basis for Opinion on Each Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit guide. Our responsibilities under those standards and the audit guide are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. Our audit does not provide a legal determination of the Bank's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to its HUD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Bank's compliance based on our audit. 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, *Government Auditing Standards*, and the audit guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Bank's compliance with the requirements of each major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the audit guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

We noted certain matters that we are required to report to management of the Bank in a separate written communication. These matters are described in our Report to the Board of Directors, Audit Committee, and Management dated March 24, 2026.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the audit guide. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

**Fort Wayne, Indiana
March 24, 2026**

UNIVERSITY BANK
COMPUTATION OF ADJUSTED NET WORTH TO DETERMINE
COMPLIANCE WITH HUD NET WORTH REQUIREMENTS
December 31, 2025

FHA servicing portfolio at December 31, 2025		\$ 33,882,428
FHA originations during 2025		108,546,942
FHA purchases during 2025		<u>-</u>
Total FHA loan activity		142,429,370
FHA originations during 2025 retained at December 31, 2025	-	
FHA purchases during 2025 retained at December 31, 2025	<u>-</u>	
Total adjustments		<u>-</u>
Total adjusted FHA loan activity		142,429,370
Minimum net worth required		1,000,000
Additional net worth required (1% of total adjusted FHA loan activity greater than \$25,000,000)		<u>1,174,294</u>
Total net worth required (maximum \$2,500,000)		<u><u>\$ 2,174,294</u></u>
Stockholder's equity per balance sheet	\$ 121,243,702	
Less unacceptable assets		
Real estate assets not part of home office	(5,504,722)	
Intangible assets	(577,692)	
Other assets	(771,159)	
Prepaid expenses	<u>(3,473,695)</u>	
Adjusted net worth		<u><u>\$ 110,916,434</u></u>
Adjusted net worth above (below) required minimum amount		<u><u>\$ 108,742,140</u></u>

UNIVERSITY BANK
COMPUTATION OF LIQUIDITY TO DETERMINE COMPLIANCE
WITH HUD LIQUIDITY REQUIREMENTS
December 31, 2025

Cash and cash equivalents	<u>\$ 20,940,792</u>
Total liquid assets	<u>\$ 20,940,792</u>
Total net worth required (minimum \$1,000,000 maximum \$2,500,000)	<u>\$ 2,174,294</u>
Liquidity required (20% of total net worth required)	<u>\$ 434,859</u>
Liquidity assets above (below) required minimum amount	<u>\$ 20,505,933</u>

UNIVERSITY BANK
COMPUTATION OF ADJUSTED NET WORTH TO DETERMINE
COMPLIANCE WITH GINNIE MAE NET WORTH REQUIREMENTS
December 31, 2025

Adjusted net worth:

Equity	<u>\$ 121,243,702</u>
Less unacceptable assets:	
Category 1 - Any asset or portion thereof pledged to secure obligations of another entity or any person	\$ -
Category 2 - An asset due from an officer or stockholder of the lender or from a related entity, except for a. a construction loan receivable secured by a first mortgage from a related entity b. a mortgage loan receivable established in the normal course of business in an arm's-length transaction and secured by a first mortgage on the related property c. a receivable from a related party when the affected parties have executed a cross-default agreement or corporate guarantee agreement with Ginnie Mae	-
Category 3 - An investment in a related entity in which any officer or stockholder of the lender has a personal interest unrelated to that person's position as an officer or stockholder of the lender	-
Category 4 - That portion of an investment in a joint venture, subsidiary, affiliate, or other related entity, which is greater than equity as adjusted ("Equity as adjusted" means the book value of the related entity reduced by the amount of unacceptable assets carried by the related entity)	-
Category 5 - Any intangible asset, including but not limited to goodwill, covenants not to compete, franchise fees, organization costs, software, value placed on insurance renewals, and value placed on property management contract renewals	577,692
Category 6 - The value of any servicing contract not determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 65, and SFAS No. 125, or their revisions	-
Category 7 - Any asset not readily marketable and for which appraised values are very subjective (i.e, antiques, artwork, and gemstones)	-
Category 8 - That portion of any marketable security (listed or unlisted) in excess of the lower of cost or market	-
Category 9 - Any amount in excess of the LCM value of mortgages in foreclosure, construction loans, or property acquired through foreclosure	-
Category 10 - Any asset that is principally used for the personal enjoyment or benefit of an officer, director, or stockholder and not for business purposes	-
Category 11 - "Other assets" unless the financial statements are accompanied by a schedule prepared by the auditor, or a schedule prepared by the issuer-lender and signed by an officer of the issuer-lender	771,159
Category 12 - That portion of contributed property in excess of the value as of the date of contribution determined by an independent appraisal	-
Category 13 - Net deferred tax assets	-
Total unacceptable assets	<u>1,348,851</u>
Adjusted net worth	<u><u>\$ 119,894,851</u></u>

UNIVERSITY BANK
COMPUTATION OF ADJUSTED NET WORTH TO DETERMINE
COMPLIANCE WITH GINNIE MAE NET WORTH REQUIREMENTS (Continued)
December 31, 2025

Adjusted net worth (from previous page) \$ 119,894,851

Required net worth:

<u>Category</u>	<u>Amount</u>	<u>Required Percentage</u>	<u>Required Amount</u>
Base requirement			\$ 2,500,000
Total effective Ginnie Mae single-family outstanding obligations	\$ 92,343,725	0.35%	323,203
Total GSE single-family outstanding servicing portfolio	\$ 3,856,168,107	0.25%	9,640,420
Total non-agency single-family outstanding servicing portfolio	\$ 716,850,448	0.25%	<u>1,792,126</u>
Required net worth			<u><u>\$ 14,255,749</u></u>

Meets requirement? Yes/No
Yes

UNIVERSITY BANK
COMPUTATION OF GINNIE MAE CAPITAL REQUIREMENT
December 31, 2025

Capital requirement for depository institutions:

Tier 1 capital	<u>\$ 113,974,000</u>
Total assets for the leverage ratio	<u>\$ 1,126,703,000</u>
Community bank leverage ratio	<u>10.12%</u>
	<u>Yes/No</u>
Meets requirement?	<u>Yes</u>

UNIVERSITY BANK
COMPUTATION OF GINNIE MAE LIQUID ASSET REQUIREMENT
December 31, 2025

Liquid assets:

Cash and cash equivalents	\$ 20,940,792
AAA rated government securities - fair value	-
GSE MBS	33,377
GSE obligations	-
Advances	3,411,595
Total liquid assets	\$ 24,385,764

Required liquid assets:

<u>Category</u>	<u>Amount</u>	<u>Required Percentage</u>	<u>Required Amount</u>
Outstanding Ginnie Mae single-family servicing UPB	\$ 38,212,092	0.100%	\$ 38,212
Outstanding GSE single-family servicing UPB, if the issuer remits (or the Enterprise draws) the principal and interest only as actually collected from the borrower	\$ 1,205,315,994	0.035%	421,861
Outstanding GSE single-family servicing UPB, if the issuer remits (or the Enterprise draws) the principal or interest, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower	\$ 2,650,852,113	0.070%	1,855,596
Outstanding non-agency single-family servicing UPB	\$ 716,850,448	0.035%	250,898
Additional requirement for single-family Issuers that originated more than \$1,000,000,000 in UPB of any residential first mortgages, regardless of channel (including retail, wholesale correspondent, and wholesale broker) in the most recent four-			
Loans held-for-sale	\$ 99,467,151	0.500%	497,336
UPB of IRLCs after fallout adjustments	\$ 41,241,169	0.500%	206,206
Total			\$ 3,270,109
Required liquid assets (greater of \$1,000,000 or Total above)			\$ 3,270,109

Meets requirement?

Yes/No
Yes

UNIVERSITY BANK
COMPUTATION OF GINNIE MAE INSURANCE REQUIREMENT
December 31, 2025

Identification of affiliated Ginnie Mae issuers:

Affiliated Ginnie Mae issuers: University Bank 4444
 Affiliated issuers on same insurance policies: _____

Required insurance calculation:

Servicing portfolio	
Ginnie Mae	\$ 38,212,092
Fannie Mae	1,205,923,944
Freddie Mac	2,650,244,163
Conventional (other)	<u>716,850,448</u>
Total servicing portfolio	<u>\$ 4,611,230,647</u>
Required fidelity bond coverage	<u>\$ 5,136,231</u>
Required mortgage servicing errors and omissions coverage	<u>\$ 5,136,231</u>

Verification of insurance coverage:

Fidelity bond coverage at end of reporting period	<u>\$ 40,000,000</u>
Mortgage servicing errors and omissions coverage at end of reporting period	<u>\$ 20,000,000</u>

Excess (deficit) insurance coverage:

Fidelity bond coverage	<u>\$ 34,863,769</u>
Mortgage servicing errors and omissions coverage	<u>\$ 14,863,769</u>

Policies contain the required elements:

	<u>Yes/No</u>
Fidelity bond coverage	<u>Yes</u>
Mortgage servicing errors and omissions coverage	<u>Yes</u>

**University Bank
Schedule of Findings, Questioned Costs, and Recommendations
Year Ended December 31, 2025**

Corrective Actions Not Started or In Process

Reference Number	Finding	Questioned Costs
	Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.	

Corrective Actions Completed

Reference Number	Finding	Questioned Costs
	Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.	

UNIVERSITY BANK
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS
AND RECOMMENDATIONS
Year Ended December 31, 2025

1. Audit report dated March 25, 2025, for the period ended December 31, 2024, issued by Forvis Mazars, LLP:

There were no open findings, questioned costs, or recommendation from the prior audit report.

2. There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

UNIVERSITY BANK

HUD FINANCIAL DATA TEMPLATE

Year Ended December 31, 2025

Financial Data Entry

All line items are whole numbers to the nearest dollar.

Balance Sheet - Assets

Line Item 100: Cash and Cash Equivalents	\$20,940,792
Line Item 101: Escrow deposit Cash	\$0
Line Item 102: Restricted Cash / Compensating Balances	\$0
Line Item 103: Trading Account Securities	\$33,377
Line Item 104: Net Mortgage Servicing Rights	\$39,862,000
Line Item 105: Other Real Estate Owned at Net Realizable Value	\$506,636
Line Item 106: Loans Held for Investment	\$916,097,000

Balance Sheet - Unacceptable Assets

Line Item 200: Pledged Assets	\$0
Line Item 201: Assets Due from an Officer, Stockholder, or Related Entity	\$0
Line Item 202: Personal Interest Investment	\$0
Line Item 203: Investment in Related Entity, Greater than Equity As Adjusted	\$0
Line Item 204: Intangible Assets, Net of Amortization	\$577,692
Line Item 205: Value of Servicing Contract not in Accordance with ASC 948 and ASC 860	\$0
Line Item 206: Assets not Readily Marketable	\$0
Line Item 207: Marketable Security in Excess of Cost or Market	\$0
Line Item 208: Amount in Excess of Foreclosure Value	\$0
Line Item 209: Assets used for Personal Enjoyment	\$0
Line Item 210: Other Unacceptable Assets	\$771,159
Line Item 211: Contributed Property in Excess of Appraised Value	\$0
Line Item 212: Real Property	\$0
Line Item 213: Prepaid Expenses	\$0
Line Item 214: Deferred Tax Asset	\$0

Balance Sheet - Total Unacceptable Assets

Line Item 215: Total Unacceptable Assets	\$1,348,851
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Balance Sheet - Liability

Line Item 300: Escrows Payable	\$1,042,696
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UNIVERSITY BANK
HUD FINANCIAL DATA TEMPLATE (Continued)
Year Ended December 31, 2025

Statement Of Operations And Equity - Revenue

Line Item 409: Correspondent and Broker Fee Income	\$0
Line Item 410: Other Retail Origination Income	\$1,986,645
Line Item 412: Other Income (Loss) Not Related To Mortgage Lending Activities	\$39,639,773

Statement Of Equity

Line Item 500: Balance at Beginning of the Year, as Reported	\$100,082,841
Line Item 501: Prior Period Adjustments	\$0
Line Item 502: Balance at Beginning of the Year, Restated	\$100,082,841
Line Item 503: Net Income	\$12,037,608
Line Item 504: Dividend / Distribution	\$-6,063,700
Line Item 505: Contributions - from Cash Flow Statement	\$2,550,000
Line Item 506: Contributions - Non-Cash	\$0
Line Item 507: Other Equity	\$0
Line Item 508: Stockholder Equity - Ending Balance	\$108,606,749

UNIVERSITY BANK
HUD FINANCIAL DATA TEMPLATE (Continued)
Year Ended December 31, 2025

Net Worth		
Line Item 600: FHA Servicing Portfolio		\$33,882,428
Line Item 601: FHA Originations		\$108,546,942
Line Item 602: FHA Purchases		\$0
Line Item 603: Subtotal - FHA Loan Activity		\$142,429,370
Line Item 604: FHA Origination Servicing Retained		\$0
Line Item 605: FHA Purchase Servicing Retained		\$0
Line Item 606: Subtotal - Servicing Retained Adjustments		\$0
Line Item 607: Total Adjusted FHA Loan Activity		\$142,429,370
Line Item 608: Net Worth Required Baseline		\$1,000,000
Line Item 609: Additional Net Worth Required		\$1,174,294
Line Item 510: Total Minimum Net Worth Required		\$2,174,294
Line Item 611: Stockholder Equity - Ending Balance		\$108,606,749
Line Item 612: Total Unacceptable Assets		\$1,348,851
Line Item 613: Adjusted Net Worth		\$107,257,898
Line Item 514: Adjusted Net Worth Above/Below Required Minimum Amount		\$105,083,604
Liquidity		
Line Item 700: Cash and Cash Equivalents		\$20,940,792
Line Item 701: Trading Account Securities		\$33,377
Line Item 702: Total of Liquid Assets per HUD Guidelines		\$20,974,169
Line Item 703: Liquid Assets Required		\$434,858
Line Item 704: Liquid Assets Above/Below Required Amount		\$20,539,311