UNIVERSITY BANCORP, INC.
AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
University Bancorp, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of University Bancorp, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University Bancorp, Inc. and Subsidiaries as of December 31, 2017 and 2016, 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.

UHY LLP

Farmington Hills, Michigan
March 28, 2018

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	**2016**
ASSETS		
Cash and due from banks	**$ 100,108,075**	$ 42,424,211
Restricted cash	**1,289,235**	1,006,312
Investment securities available-for-sale, at fair value	**1,120,098**	2,039,365
Federal Home Loan Bank stock, at cost	**637,000**	637,000
Loans and financings held for sale or assignment, at fair value	**62,313,445**	56,496,574
Loans and financings, net	**56,883,930**	65,677,980
Premises and equipment, net	**8,725,591**	5,370,574
Mortgage and financing servicing rights, at fair value	**9,812,943**	11,069,440
Real estate owned, net	**-**	39,454
Accounts receivable	**1,640,653**	1,648,978
Accrued interest and financing income receivable	**221,535**	212,753
Prepaid expenses	**1,274,175**	935,022
Derivatives, at fair value	**795,989**	1,438,577
Goodwill	**356,310**	356,310
Customer relationships, net	**142,285**	213,428
Investor remittances receivable	**551,031**	906,667
Deferred income taxes	**51,966**	455,191
Other assets	**12,707**	12,340
Total assets	**$ 245,936,968**	$ 190,940,176

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

	December 31,	
	2017	**2016**
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Demand - non-interest bearing	**$ 188,691,801**	$ 135,219,886
Demand - interest bearing and profit sharing	**13,256,382**	15,399,611
Savings	**441,013**	478,470
Time	**2,738,151**	3,043,355
Total deposits	**205,127,347**	154,141,322
Derivatives, at fair value	**57,172**	-
Accounts payable	**1,401,233**	1,178,900
Accrued interest and profit sharing payable	**3,930**	3,976
Allowance for loan and financing recourse	**186,588**	205,617
Escrow, mortgage and financing insurance liabilities	**462,837**	337,596
Liability to fund closed but undisbursed loans and financings	**1,574,133**	979,034
Investor remittances payable	**1,841,275**	1,063,446
Participatory note payable	**-**	2,352,767
Earn-out liability	**224,834**	430,012
Contingent legal liabilities	**203,346**	-
Federal income tax payable	**683,955**	461,956
Deferred income taxes	**3,317,476**	5,515,648
Accrued expenses and other liabilities	**2,829,702**	3,483,918
Mortgage payable	**1,666,856**	-
Total liabilities	**219,580,684**	170,154,192
EQUITY		
University Bancorp, Inc. stockholders' equity:		
Common stock, $.01 par value per share; 6,000,000 shares authorized, 5,200,899 and 5,100,899 shares issued as of December 31, 2017 and 2016, respectively	**52,009**	51,009
Additional paid-in capital	**7,727,685**	7,548,685
Retained earnings	**15,588,071**	10,463,713
Accumulated other comprehensive income	**8,895**	12,428
Equity attributable to stockholders of University Bancorp, Inc.	**23,376,660**	18,075,835
Noncontrolling interest	**2,979,624**	2,710,149
Total equity	**26,356,284**	20,785,984
Total liabilities and equity	**$ 245,936,968**	$ 190,940,176

See notes to consolidated financial statements.

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

	Years ended December 31,	
	2017	**2016**
Interest and financing income:		
Interest and fees on loans and financing income	**$ 5,529,150**	$ 5,333,569
Interest on securities:		
U.S. Government agencies	**14,270**	63,671
Other securities	**27,434**	27,073
Interest on federal funds and other	**1,285,704**	241,701
Total interest and financing income	**6,856,558**	5,666,014
Interest and profit sharing expense:		
Interest and profit sharing on deposits:		
Demand deposits	**13,062**	20,069
Savings deposits	**452**	453
Time deposits	**56,346**	61,347
Participatory note	**71,058**	77,830
Total interest and profit sharing expense	**140,918**	159,699
Net interest and financing income	**6,715,640**	5,506,315
Provision for loan and financing losses	**153,071**	6,534
Net interest and financing income after provision for loan and financing losses	**6,562,569**	5,499,781
Other income (loss):		
Loan and financing servicing and sub-servicing fees	**11,293,156**	10,597,587
Origination and other fees	**7,548,595**	7,181,712
Gain on sale of mortgage loans, net, and fee income for assignment of financings	**27,012,399**	25,176,856
Insurance & investment agency fee income	**778,343**	774,800
Deposit service charges and fees	**23,785**	26,459
Change in fair value of mortgage and financing servicing rights due to:		
Pay-offs and pay-downs	**(1,232,683)**	(654,373)
Changes in estimates	**(828,031)**	(513,015)
Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments	**1,735,436**	2,547,560
Other income	**732,168**	144,549
Total other income, net	**47,063,168**	45,282,135

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

	Years ended December 31, 2017	2016
Other expenses:		
Compensation and benefits	**$ 34,607,388**	$ 32,701,943
Occupancy	**2,140,364**	1,887,093
Data processing and equipment expense	**2,655,429**	1,976,240
Legal and audit	**1,445,634**	1,265,987
Consulting fees	**714,592**	489,137
Mortgage banking	**2,575,805**	1,725,214
Advertising	**922,284**	866,201
Membership and training	**433,332**	485,280
Travel and entertainment	**941,583**	825,281
Supplies and postage	**1,132,417**	1,043,819
Insurance	**452,520**	433,226
Real estate expense	**-**	64,893
Director related expenses	**258,490**	243,600
FDIC assessments	**61,866**	79,992
Contingent legal expense	**203,346**	264,525
Amortization of customer relationships	**71,143**	71,143
Other operating expenses	**189,164**	228,083
Total other expenses	**48,805,357**	44,651,657
Income before income taxes	**4,820,380**	6,130,259
Income tax expense (benefit)	**(573,453)**	2,121,768
Net income	**$ 5,393,833**	$ 4,008,491
COMPREHENSIVE INCOME		
Net income	**$ 5,393,833**	$ 4,008,491
Net unrealized loss on securities available-for-sale	**(3,533)**	(5,047)
COMPREHENSIVE INCOME	**$ 5,390,300**	$ 4,003,444
Net income and comprehensive income attributable to the noncontrolling interests	**$ 269,475**	$ 202,294
Net income attributable to common stockholders of University Bancorp, Inc.	**$ 5,124,358**	$ 3,806,197
Comprehensive income attributable to common stockholders of University Bancorp, Inc.	**$ 5,120,825**	$ 3,801,150

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	University Bancorp, Inc. Stockholders'						
	Common Stock $.01 Par value						
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre-hensive Income	Non-controlling Interest	Total
Balance at January 1, 2016	5,100,899	$ 51,009	$ 7,548,685	$ 7,204,249	$ 17,475	$ 2,507,855	$ 17,329,273
Dividends	-	-	-	(546,733)	-	-	(546,733)
Net unrealized loss on securities available-for-sale	-	-	-	-	(5,047)	-	(5,047)
Net income	-	-	-	3,806,197	-	202,294	4,008,491
Balance at December 31, 2016	5,100,899	51,009	7,548,685	10,463,713	12,428	2,710,149	20,785,984
Exercise of stock options	100,000	1,000	179,000	-	-	-	180,000
Net unrealized loss on securities available-for-sale	-	-	-	-	(3,533)	-	(3,533)
Net income	-	-	-	5,124,358	-	269,475	5,393,833
Balance at December 31, 2017	5,200,899	$ 52,009	$ 7,727,685	$ 15,588,071	$ 8,895	$ 2,979,624	$ 26,356,284

See notes to consolidated financial statements.

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

	Years ended December 31, 2017	2016
OPERATING ACTIVITIES		
Net income	**$ 5,393,833**	$ 4,008,491
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	**1,007,894**	1,001,606
Change in fair value of mortgage and financing servicing rights	**2,060,714**	1,167,388
Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments	**(1,735,436)**	(2,547,560)
Deferred income tax expense (benefit)	**(1,794,947)**	1,547,620
Provision for loan and financing losses	**153,071**	6,534
Net gain on sale of mortgage loans and fee income for assignment of financings	**(27,012,399)**	(25,176,856)
Net (gain) loss on sale of other real estate owned	**(36,959)**	447
Net gain on sale of premises and equipment	**(606,478)**	-
Net amortization on investment securities	**32,003**	2,630
Write down of real estate owned	**-**	31,546
Originations of mortgage loans and financings	**(848,837,573)**	(834,550,051)
Proceeds from mortgage loan sales and assignment of financings	**869,604,343**	844,416,381
Net change in:		
Various other assets	**606,258**	(727,694)
Various other liabilities	**1,003,494**	633,742
Net cash used in operating activities	**(162,182)**	(10,185,776)
INVESTING ACTIVITIES		
Proceeds from maturities of securities available-for-sale	**883,731**	391,761
Proceeds from the sale of mortgage servicing rights	**1,966,902**	-
Proceeds from sale of real estate owned	**165,680**	230,393
Proceeds from the sale of premises and equipment	**1,139,711**	-
Loans and financings (granted) and repayments, net	**8,640,979**	(9,998,478)
Purchases of premises and equipment	**(3,409,230)**	(1,443,898)
Net cash provided by (used in) investing activities	**9,387,773**	(10,820,222)

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

	Years ended December 31, 2017	2016
FINANCING ACTIVITIES		
Net change in deposits	**$ 50,986,025**	$ 1,885,282
Exercise of stock options	**180,000**	-
Payment of dividends	**-**	(546,733)
Net proceeds from issuance of participatory note	**-**	2,352,767
Payment on earn-out liability	**(205,178)**	-
Repayment of participatory note	**(2,500,000)**	-
Principal payments on mortgage payable	**(2,574)**	-
Net cash provided by financing activities	**48,458,273**	3,691,316
NET CHANGE IN CASH AND CASH EQUIVALENTS	**57,683,864**	(17,314,682)
Cash and Cash Equivalents, Beginning of Year	**42,424,211**	59,738,893
Cash and Cash Equivalents, End of Year	**$ 100,108,075**	$ 42,424,211
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	**$ 140,964**	$ 163,041
Net cash paid during the year for income taxes	**$ 1,000,000**	$ 130,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Mortgage loans and financings converted to real estate owned	**$ 89,267**	$ -
Receivable recorded upon sale of mortgage servicing rights	**$ 579,638**	$ -
Mortgage payable assumed upon acquisition of building and other related assets and liabilities	**$ 1,669,430**	$ -

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 wholly-owned subsidiary, University Bank (the "Bank"), the Bank's wholly owned subsidiaries, Ann Arbor Insurance Centre, Inc. ("AAIC"), Hoover, LLC ("Hoover"), University Lending Group, LLC ("ULG") and Midwest Loan Solutions, Inc. ("Midwest"), and the Bank's 80% owned subsidiary, UIF Corporation ("UIF"). During 2015, the Bank purchased the 20% noncontrolling interest of Midwest, and Midwest became a wholly-owned subsidiary of the Bank. These consolidated financial statements also include the operations of Hoover's wholly owned subsidiary, Tuomy, LLC, as well as the operations of AAIC's wholly owned subsidiary, 2621 Carpenter Road, LLC. 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 bank 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'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.

AAIC is engaged in the sale of insurance products including life, health, property and casualty, and investment products such as annuities. AAIC is located in the building owned by 2621 Carpenter Road, LLC in Ann Arbor, MI.

Hoover owns the Bank's headquarters facility. Tuomy owns commercial land with a drive through ATM and a rental building.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Principles of Consolidation (Continued)

ULG commenced operations in April 2008 and is headquartered in Clinton Township, Michigan. ULG operates in seventeen retail branches throughout Michigan, Indiana, Florida, and Texas. ULG is engaged in the business of marketing, originating, processing, closing and selling retail mortgage loans. ULG is also engaged in the business of servicing mortgage loans as servicing rights are retained on selective loans that are sold.

Midwest is engaged in the business of servicing and sub-servicing residential mortgage loans. Midwest began operations in 1992 and was acquired by University Bank in December 1995. Midwest is based in Houghton, Michigan, and is also engaged in the business of marketing, originating, processing, closing and selling wholesale and retail mortgage loans. Effective January 1, 2016, Midwest changed its name from Midwest Loan Services, Inc. to Midwest Loan Solutions, Inc. Effective July 1, 2016, Midwest's servicing and sub-servicing operations were transferred to the Bank. Midwest continues to service and sub-service GNMA loans.

UIF is a faith-based banking firm and was formed in December 2005. UIF is based in Southfield, Michigan. Its current products, which comply with federal and state law, as well as religious precepts, 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 and Federal Home Loan Mortgage Corporation ("Freddie Mac")), and home financings and commercial real estate financings (as principal for its own account). These products are offered to service the large number of faith-based customers who have an ethical aversion to paying or receiving interest.

There are two distinct financing products offered using redeemable lease and installment sale contracts.

Under the redeemable lease method, a single-asset trust or an LLC is 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.

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 the Company. The lease payment under the lease agreement is similar to an interest payment under a conventional mortgage. The contract-for-deed payments resemble a principal payment under a conventional mortgage.

The redeemable lease arrangement is treated as financing rather than leasing in accordance with U.S. generally accepted accounting principles ("GAAP"). A lease that transfers substantially all of the benefits and risks incident to the ownership of property should be accounted for as the acquisition of an asset by the lessee and as a financing by the lessor.

Under lease accounting standards of the Accounting Standards Codification ("ASC"), a lease would generally be accounted for as a financing if:

1. The underlying property is transferred to the lessee at the end of the lease, or
2. The lease contains a bargain purchase that is reasonably assured of being exercised, and
3. It is reasonably certain that the lease payments will be collected, and
4. No uncertainties surround the amount of un-reimbursable costs yet to be incurred by the lessor under the lease.

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

The second form of home financing uses the installment sale method. As agent for the Bank, UIF buys a property selected by a customer and then resells 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 will accrete into income over the life of the contract. After the contract is executed by UIF and the customer, the contract is assigned to the Bank, and then assigned to the Freddie Mac. Freddie Mac then reimburses the Bank for the outlay of cash to purchase the property and pays the Bank a fee for origination. The cash, origination fees, and servicing rights are retained by UIF under an installment sale agreement between UIF and the Bank. The customer pays Freddie Mac for the property that was purchased on an installment basis, per an agreed repayment schedule.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Principles of Consolidation (Continued)

The Company records these contracts at fair value for the short period of time that they are held before assignment to Freddie Mac. The installment contracts are assigned with servicing retained. Thus, the value of the installment contract and value of the servicing is determined to calculate the fair value and any gain or loss on the assignment of the underlying installment contract. See Note 23 for additional discussion of the determination of fair value.

On the liability side of the balance sheet, UIF (as agent for the Bank) also offers FDIC–insured deposits that use a method of profit sharing. These deposits are specifically invested in investments that do not involve interest such as, but not limited to, transactions structured using the redeemable lease and installment sale methods. Savings, money markets, and certificates of deposits pay out earnings that are derived specifically from the revenues from these investments net of certain expenses. In compliance with the FDIC definition of a deposit, balances in these accounts, like all deposit accounts, are FDIC insured. The sharing of earnings paid out to the depositors holding these accounts can fluctuate to as low as zero percent with the net earnings of the redeemable lease portfolio and other investments compliant.

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 deposits – interest bearing and profit sharing” instead of the typical title of “Demand 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”.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

The significant estimates incorporated into these consolidated financial statements, which are more susceptible to change in the near term, include the value of mortgage and financing servicing rights, the allowance for loan and financing losses, the identification and valuation of impaired loans and financings, 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, 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.

Securities

Securities are classified as available-for-sale at the date of purchase. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income or loss. Available-for-sale securities are written down to fair value through a charge to earnings when a decline in fair value is not temporary. Interest income includes amortization of purchase premium or discount. Other securities such as Federal Home Loan Bank stock are carried at cost.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Financings

Loans and financings are reported at the principal balance outstanding, net of unearned interest or financing income, deferred loan or financing fees and costs, and an allowance for loan and financing losses. Interest income is reported on the interest method and includes amortization of 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 Loan and Financing Losses

The allowance for loan and financing losses is a valuation allowance for probable credit losses, increased by the provision for loan and financing losses and recoveries and decreased by charge-offs. Management estimates the balance required based on past loss experience, known and inherent risks in the portfolio, information about specific borrower situations, and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans or financings, but the entire allowance is available for any loan or financing that, in management's judgment, should be charged-off.

Loan or financing impairment is reported when full payment under the loan or financing terms is not expected. Impairment is evaluated in total for smaller-balance loans and financings of similar nature such as residential, consumer, and credit card, and on an individual loan or financing basis for other loans or financings. If a loan or financing is impaired, a portion of the allowance is allocated so that the loan or financing is reported, net, at the present value of estimated future cash flows using the loan's or financing's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans or financings are evaluated for impairment when payments are delayed, typically ninety days or more, or when it is probable that all principal and interest or profit sharing amounts will not be collected according to the original terms of the loan or financing. When collection becomes remote, loans or financings are charged off.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 elected to record loans and financings held for sale at fair value. Loans and financings are sold or assigned without recourse, except in certain events as defined in the related 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 $186,588 and $205,617 as of December 31, 2017 and 2016, respectively.

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.

The Company accounts for its MSRs in accordance with the applicable standards under the ASC which requires that MSRs be initially recognized at their fair value and by providing the option to either: (1) carry MSRs at fair value with changes in fair value recognized in earnings; or (2) continue recognizing periodic amortization expense and assess the MSRs for impairment. This option may be applied by class of servicing assets or liabilities. The Company has identified MSRs relating to loans and financings as a class of servicing rights and has elected to apply fair value accounting to these assets.

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. Any reduction to fair value from the carrying value of the related loan or financing is accounted for as a loan or financing 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 other expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments

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 at specified times in the future. IRLCs that relate to the origination of mortgage loans and financings that will be held for sale or assignment are considered derivative instruments under the ASC. As such, these IRLCs are recorded at fair value (see Note 23) with 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 valued at fair value (see Note 23) with net changes in fair value recorded in earnings. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of the IRLCs and forward sales commitments within the portfolio.

Goodwill

Goodwill is the excess costs of acquired businesses over the fair value amounts assigned to identifiable assets acquired and liabilities assumed. The Company has elected not to amortize goodwill, but rather, review goodwill for impairment annually or whenever events and circumstances have occurred that indicate a potential impairment.

When performing an impairment test, entities are provided with the option of first performing a qualitative assessment on none, some or all of its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after completing a qualitative analysis, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative analysis is required.

Under a quantitative analysis, management first compares the fair value of a reporting unit to the carrying value of the reporting unit’s net assets at the measurement date. If the carrying value of the reporting unit exceeds the fair value, the second step of the quantitative analysis must be performed. The second step of the quantitative analysis requires an allocation of the estimated fair value of the reporting unit to all assets and liabilities as if the reporting unit had been acquired at the measurement date. The carrying value of goodwill is then compared to the implied value of goodwill and any excess of carrying value over implied value is recognized as goodwill impairment.

The Company’s evaluations of goodwill completed during 2017 and 2016 resulted in no impairment losses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 or 2016.

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, 2017 and 2016, there are no uncertain tax positions for which a reserve or liability is necessary.

The Company's major state tax expense is in the state of Michigan. Under Michigan tax law, the Company is subject to a franchise tax. It is management's policy to include the franchise tax in other operating expenses. The Michigan statute calls for a "joint and severally liable" unitary tax on entities which are commonly controlled and have inter-company "flow of value" transactions. Hence, the Company pays this tax on a consolidated basis just as it pays its federal tax on a consolidated basis.

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.

Subsequent Events

The Company has performed a review of events subsequent to December 31, 2017 through March 28, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 – RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2017 and 2016, this reserve requirement amounted to $7,527,000 and $4,636,000, respectively.

In accordance with a seller and servicer agreement with Freddie Mac, UIF is required to maintain a pledged collateral deposit of $1,000,000. The balance maintained in the restricted account totaled $1,016,602 and $1,006,312 at December 31, 2017 and 2016, respectively. This cash balance is shown as restricted cash in the consolidated balance sheets.

In accordance with the mortgage payable discussed in Note 20, the Company is required to maintain restricted cash accounts to be used for principal, tax, and insurance payments, as well as tenant improvements. The balance in these restricted accounts totaled $272,633 at December 31, 2017.

NOTE 3 – INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

The following is a summary of the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of securities available-for-sale.

Securities available-for-sale at December 31, 2017 consists of the following:

	Amortized Cost	Unrealized Gain	Fair Value
U.S. agency mortgage-backed securities	$ 1,111,203	$ 8,895	$ 1,120,098

Securities available-for-sale at December 31, 2016 consists of the following:

	Amortized Cost	Unrealized Gain	Fair Value
U.S. agency mortgage-backed securities	$ 2,026,937	$ 12,428	$ 2,039,365

At December 31, 2017 and 2016, the fair value of available-for-sale securities pledged to secure certain borrowings was $1,120,098 and $2,039,365, respectively. The balance of these borrowings at both December 31, 2017 and 2016 was $-0-.

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. Proceeds from pay downs of mortgage-backed securities amounted to $883,731 and $391,761 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 – LOANS AND FINANCINGS, NET

Major classifications of loans and financings are as follows:

	December 31, 2017	December 31, 2016
Commercial	$ 1,691,452	$ 3,177,783
Commercial real estate	38,156,149	41,351,003
Residential real estate	17,146,764	21,290,435
Installment	195,755	189,130
Credit cards	100,247	92,331
Gross loans and financings	57,290,367	66,100,682
Allowance for loan and financing losses	(406,437)	(422,702)
Net loans and financings	$ 56,883,930	$ 65,677,980

Changes in the allowance for loan and financing losses were as follows:

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 422,702	$ 404,677
Provision charged to operations	153,071	6,534
Recoveries	18,848	15,142
Charge-offs	(188,184)	(3,651)
Balance, end of year	$ 406,437	$ 422,702

Information regarding impaired loans and financings is as follows:

	December 31, 2017	December 31, 2016
Impaired loans and financings:		
Loans and financings with no allowance allocated	$ 615,549	$ 454,083
Loans and financings with allowance allocated	$ -	$ -
Amount of allowance for loan and financing losses allocated	$ -	$ -
Impaired loans and financings:		
Average balance during the year	$ 709,918	$ 665,904
Interest and financing income recognized thereon	$ 30,888	$ 51,412
Cash basis interest and financing income recognized	$ 28,496	$ 49,403

NOTE 4 – LOANS AND FINANCINGS, NET (Continued)

The following tables present informative data by class of loan and financing regarding their age and interest or financing income accrual status at December 31, 2017 and 2016 (in thousands):

December 31, 2017	Current	Past Due: 30-59 Days	Past Due: 60-89 Days	Past Due: ≥ 90 Days	Total Past Due	Total Loans and Financings
Commercial	$ 1,691	$ -	$ -	$ -	$ -	$ 1,691
Commercial real estate	37,990	-	-	166	166	38,156
Consumer	185	11	-	-	11	196
Credit card	100	-	-	-	-	100
Residential real estate	17,147	-	-	-	-	17,147
Total	$ 57,113	$ 11	$ -	$ 166	$ 177	$ 57,290

December 31, 2016	Current	Past Due: 30-59 Days	Past Due: 60-89 Days	Past Due: ≥ 90 Days	Total Past Due	Total Loans and Financings
Commercial	$ 3,178	$ -	$ -	$ -	$ -	$ 3,178
Commercial real estate	41,351	-	-	-	-	41,351
Consumer	189	-	-	-	-	189
Credit card	92	-	-	-	-	92
Residential real estate	21,291	-	-	-	-	21,291
Total	$ 66,101	$ -	$ -	$ -	$ -	$ 66,101

December 31, 2017	Accrual Status: Total Loans and Financings on Nonaccrual Status	Accrual Status: Loans and Financings Past Due ≥ 90 Days and Still Accruing
Commercial	$ -	$ -
Commercial real estate	166	-
Consumer	-	-
Credit card	-	-
Residential real estate	-	-
Total	$ 166	$ -

NOTE 4 – LOANS AND FINANCINGS, NET (Continued)

	Accrual Status			
December 31, 2016	Total Loans and Financings on Nonaccrual Status		Loans and Financings Past Due ≥ 90 Days and Still Accruing	
Commercial	$	-	$	-
Commercial real estate		-		-
Consumer		-		-
Credit card		-		-
Residential real estate		-		-
Total	$	-	$	-

At December 31, 2017 and 2016, the Company also had $519,960 and $-0- of loans and financings held for sale or assignment that were on nonaccrual status.

NOTE 5 – MORTGAGE BANKING ACTIVITIES

Midwest and University Bank provide sub-servicing of real estate mortgage loans for over 360 financial institutions. The unpaid principal balance of these loans was approximately $20.5 billion and $18.0 billion as of December 31, 2017 and 2016, 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, Midwest, UIF and ULG sell residential mortgage loans and financings to the secondary market with servicing rights retained for selective 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 MSRs are included in the accompanying consolidated financial statements. Such mortgage loans and financings have been sold or assigned predominately without recourse or with limited recourse. The unpaid principal balance of these loans and financings was $1.1 billion and $1.2 billion at December 31, 2017 and 2016, respectively.

Custodial escrow balances maintained in connection with these loans and financings were $347 million and $330 million, of which $186 million and $214 million were held at other banks and were not included in the accompanying consolidated financial statements at December 31, 2017 and 2016, respectively.

NOTE 5 – MORTGAGE BANKING ACTIVITIES (Continued)

The following summarizes the activity relating to MSR's:

	December 31, 2017	December 31, 2016
Balance, January 1	$ 11,069,440	$ 9,379,862
Amount capitalized	3,452,260	2,856,966
Amount sold	(2,648,043)	-
Change in fair value due to:		
Pay-offs and pay-downs	(1,232,683)	(654,373)
Changes in estimates	(828,031)	(513,015)
Balance, December 31	$ 9,812,943	$ 11,069,440

The Company enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans and financings at specified times in the future. As of December 31, 2017 and 2016, IRLCs amounted to $41.5 million and $55.5 million, respectively, of which management estimated $35.0 million and $47.1 million, respectively, to eventually close and be funded. These IRLCs were recorded in assets in the consolidated balance sheets at a fair value of $795,989 and $1,271,023 as of December 31, 2017 and 2016, 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 $60.3 million and $62.5 million as of December 31, 2017 and 2016, respectively. These IRLCs were recorded in liabilities in the consolidated balance sheet at a fair value of $57,172 as of December 31, 2017 and in assets in the consolidated balance sheet at a fair value of $167,554 as of December 31, 2016.

The net change in fair value of the IRLCs and the related forward loan and financing sales commitments held at December 31, 2017 and 2016 resulted in a loss of $699,760 and a gain of $536,826, respectively, which has been recognized in the other 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 23. Prior to companies being permitted to adopt fair value accounting, the recognition of such day one gains/losses was prohibited and these gains/losses were not recognized until realized through the sale or assignment of the related loans and financings.

Market interest rate conditions can quickly affect the fair value of MSRs, IRLCs, and forward loan and financing sales commitments in a positive or negative fashion, as long-term interest rates rise and fall. See Note 23 for further discussion of management's assumptions used in determination of fair value of these assets and liabilities.

NOTE 6 – PREMISES AND EQUIPMENT, NET

Premises and equipment consist of the following:

	December 31, 2017	December 31, 2016
Land	$ 1,043,400	$ 562,500
Buildings and improvements	5,623,200	3,443,610
Furniture, fixtures, equipment and software	6,978,203	6,132,617
Construction in process	871,364	157,526
	14,516,167	10,296,253
Less accumulated depreciation and amortization	(5,790,576)	(4,925,679)
Premises and equipment, net	$ 8,725,591	$ 5,370,574

Depreciation and amortization expense related to premises and equipment amounted to $936,751 and $930,463 for the years ended December 31, 2017 and 2016, respectively.

Midwest, UIF, and ULG each lease office space for their respective operations. ULG and UIF also lease office space for their retail branches. All of the retail branch lease agreements are short-term in nature, with some being month-to-month, and some allowing the Company to break the lease with both a termination notice ranging from thirty days to six months, and a fee. The Company leases various other facilities and office equipment at varying rates on a month-to-month basis. Total rent expense for all operating leases was approximately $1,039,000 and $956,000 in 2017 and 2016, respectively.

The following table summarizes the future minimum payments under the contractual obligations of the Company as of December 31, 2017:

Years ending December 31,	Amount
2018	$ 817,188
2019	537,382
2020	491,611
2021	446,986
2022	415,624

NOTE 7 – GOODWILL

The following table summarizes goodwill by reporting unit:

	December 31, 2017	December 31, 2016
Midwest	$ 103,914	$ 103,914
AAIC	252,396	252,396
	$ 356,310	$ 356,310

NOTE 8 – CUSTOMER RELATIONSHIPS, NET

During 2012, the Company acquired customer relationships of $498,000 as part of the acquisition of AAIC and 2621 Carpenter Road, LLC. These customer relationships are being amortized on a straight-line basis over their estimated economic lives, which were determined to be seven years. Amortization expense amounted to $71,143 for each of the years ended December 31, 2017 and 2016. Amortization expense related to these customer relationships is expected to be approximately $71,143 in each of the next two years.

NOTE 9 – TIME DEPOSITS

Time deposit liabilities issued in denominations of $100,000 or more were $1,881,406 and $2,088,074 at December 31, 2017 and 2016, respectively.

At December 31, 2017, stated maturities of time deposits were:

Years ending December 31,	Amount
2018	$ 581,288
2019	407,258
2020	456,432
2021	389,635
2022 and thereafter	903,538
	$ 2,738,151

NOTE 10 – DEFERRED COMPENSATION

ULG has a deferred compensation agreement (the "Agreement") with one of its key employees that provides this employee with a phantom interest in the net income of ULG based on years of service. The deemed value of the phantom interest at any point in time is the net income of ULG since September 1, 2011, less 34%, multiplied by 12.4975%, less $250,000. This phantom interest vests over three years, but is fully vested upon a change in control, death or disability of the employee, or the dissolution or liquidation of ULG, as defined in the Agreement. Since December 31, 2014, the phantom interest has been fully vested.

In addition, the employee is entitled to earn $250,000 vested over time with 50% vesting after 5 years, and 10% vesting in each of the 5 years thereafter. Any accrued benefit to the employee is to be distributed upon retirement, death, or disability of the employee, or upon termination of the employee without cause. As of December 31, 2017, special distributions events occurred in which the employee was paid the following amounts of the accrued liability:

Years ended December 31,	Amount
2013	$ 65,000
2014	165,000
2015	-
2016	140,000
2017	159,000
	$ 529,000

In relation to the Agreement, the Company recognized compensation expense (benefit) of $(18,332) and $252,993 during the years ended December 31, 2017 and 2016, respectively, and recorded accrued deferred compensation of $346,103 and $523,435 as of December 31, 2017 and 2016, respectively. Accrued deferred compensation is included in "Accrued expenses and other liabilities" in the consolidated balance sheets.

NOTE 11 – INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. The principal element of the Tax Cuts and Jobs Act relevant to the Company's financial statements is a reduction in the U.S. federal corporate tax rate from 34% to 21%, effective for the Company on January 1, 2018. Other provisions of the Tax Cuts and Jobs Act did not have a significant impact on the Company's financial statements for the year ended December 31, 2017.

NOTE 11 – INCOME TAXES (Continued)

Income tax expense is summarized as follows:

	December 31, 2017	December 31, 2016
Current	$ 1,221,494	$ 574,148
Deferred	226,054	1,547,620
Impact of change in exacted tax rates on deferred income taxes	(2,021,001)	-
Income tax expense	$ (573,453)	$ 2,121,768

In 2017 the Company's effective tax rate differs from the U.S. federal statutory rate primarily due to re-measuring deferred income taxes at the new statutory tax rate; and certain expenses that are not deductible for tax reporting purposes. At the date of enactment of the Tax Cuts and Jobs Act, the Company re-measured its deferred tax assets and liabilities using a rate of 21%, which is the rate expected to be in place when such deferred assets and liabilities are expected to reverse in the future.

In 2016 the Company's effective tax rate differs from the U.S. federal statutory rate primarily due to certain expenses that are not deductible for tax reporting purposes.

NOTE 11 – INCOME TAXES (Continued)

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

	December 31,	
	2017	2016
Deferred income tax assets:		
Tax credit carry-forward	$ -	$ 400,825
Other	51,966	54,366
	51,966	455,191
Deferred income tax liabilities:		
Mortgage servicing rights	2,060,718	3,763,609
Derivatives and LHFS	666,543	1,172,766
Premises and equipment	546,928	500,437
Customer relationships	29,880	72,566
Allowance for loan and financing losses and recourse liabilities	13,407	6,270
	3,317,476	5,515,648
Net deferred tax asset (liability)	$ (3,265,510)	$ (5,060,457)

NOTE 12 – PREFERRED STOCK

As of December 31, 2017 and 2016, the Company had 500,000 shares of preferred stock authorized with a $.001 par value per share. As of December 31, 2017 and 2016 there were no preferred shares issued and outstanding.

NOTE 13 – STOCK OPTIONS

In 1995, the Company adopted a stock option and stock award plan (the "1995 Stock Plan"), which provides for the grant of incentive stock options, as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended, as well as the grant of non-qualified stock options and other stock awards. The Plan provides for the grant, to officers, directors and key employees of the Company, and independent contractors providing services to the Company, of options to purchase common stock and other awards of common stock.

The exercise price of options granted under the Plan shall be determined by the Board of Directors, or a compensation committee thereof. Options shall expire on the date specified by the Board of Directors or such committee, but not more than 10 years from the date of grant (or five years from the date of grant for incentive stock options if the grantee owned 10% of the Company's voting stock at the date of grant). The 1995 Stock Plan terminated on November 15, 2006; however, all outstanding options under the Plan remained outstanding until expiration, exercise or forfeiture. Options continue to be granted to directors of the Company in lieu of board fees paid in cash, outside of the 1995 Stock Plan.

The following tables summarize the activity relating to options to purchase the Company's common stock:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2016	107,000	$ 2.17	
Granted	-	$ -	
Exercised	-	$ -	
Expired or forfeited	-	$ -	
Outstanding at December 31, 2016	107,000	$ 2.17	
Granted	170,000	$ 7.00	
Exercised	(100,000)	$ 1.80	
Expired or forfeited	(7,000)	$ 7.49	
Outstanding at December 31, 2017	170,000	$ 7.00	7.7
Vested and expected to vest in the future as of December 31, 2017	170,000	$ 7.00	7.7
Options exercisable at December 31, 2017	-	$ -	-

NOTE 13 – STOCK OPTIONS (Continued)

	Nonvested Options	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2016	-	$ -
Granted	-	$ -
Vested	-	$ -
Expired or forfeited	-	$ -
Nonvested at December 31, 2016	-	$ -
Granted	170,000	$ 1.89
Vested	-	$ -
Expired or forfeited	-	$ -
Nonvested at December 31, 2017	170,000	$ 1.89

During 2017 and 2016, the Company received cash of $180,000 and $-0-, respectively, related to the exercise of options. As of the exercise date, the intrinsic value of the options exercised in 2017 was approximately $560,000.

In accordance with the ASC, the Company is required to recognize the compensation cost relating to share-based payment transactions in the consolidated financial statements. That cost is to be measured based on the fair value of the equity or liability instruments issued. The fair value of the Company's options was determined pursuant to the Black-Scholes model at the date of issuance. As the options vest, the Company recognizes compensation expense in earnings. For the years ended December 31, 2017 and 2016, there were no shares that vested and the Company recorded no share-based compensation expense in the consolidated statement of operations and comprehensive income. At December 31, 2017, unrecognized compensation cost related to stock options totaled approximately $320,000, which is expected to be recognized over a weighted-average period of approximately 8.9 years.

The grant date fair value of options was 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 assumptions used in the Black-Scholes model were as follows for the year ended December 31, 2017:

Risk-free interest rate	1.8%
Expected volatility	19%
Expected term	5-10 years
Price per share	$7.00
Expected dividend yield	0%

NOTE 13 – STOCK OPTIONS (Continued)

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.

NOTE 14 – NONCONTROLLING INTEREST

In February 2015, the Company acquired the 20% noncontrolling interest in MLS for consideration of $3,562,409 consisting of cash of $521,390, 309,361 shares of University Bancorp, Inc. common stock with a fair value of $2,611,007, and an earn-out of $430,012. The earn-out is to be paid monthly and determined by multiplying the federal funds interest rate minus 0.5%, by the monthly average MLS escrow deposits held at University Bank and the FHLB, divided by 12. At December 31, 2017 and 2016, the balance of the earn-out was $224,834 and $430,012, respectively. During 2017 and 2016, $205,178 and $-0- were paid out respectively. In conjunction with this agreement to acquire the MLS noncontrolling interest, in January 2015, the Company amended its articles of incorporation which increased the number of authorized common shares from 5,000,000 to 6,000,000.

Also, 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, 2017 and 2016, total equity of UIF was $14,898,120 and $13,550,745, respectively. The noncontrolling interest at December 31, 2017 and 2016 was $2,979,624 and $2,710,149, respectively.

NOTE 15 – PARTICIPATORY NOTE PAYABLE

On April 5, 2016, the Bank entered into a $2,500,000 Tier 1 Capital Participatory Note Certificate (the "Note"). In connection with issuance of the Note, the Bank and the Investor (or the "Subscriber") entered into a Participation Agreement (the "Participation Agreement") and a Subscription Agreement (the "Subscription Agreement") which together constitute the "Transaction Documents".

NOTE 15 – PARTICIPATORY NOTE PAYABLE (Continued)

On April 5, 2016, the Subscriber paid the subscription price of $2,500,000 and in exchange received the Note. The Note's return was tied to a designated portfolio of financial assets held by UIF (the "Participation Assets"). The Bank, on a quarterly basis, calculated the change in the value of the Participation Assets, and distributed a portion thereof (less certain taxes and costs) to the Subscriber (that portion, the "Participant Profit"). If the Participant Profit for a particular period was in excess of an annual return of 5.75% (the "Expected Rate"), the Bank held the excess in a reserve account (the "Reserve Account"). As such, the Participant Profit was effectively capped at the Expected Rate. If the Participant Profit in a particular period was below the Expected Rate, the Bank could draw on the Reserve Account to cover the difference and/or elect to cover such shortfall using its own net income and retained earnings.

If the Bank's net income and retained earnings were insufficient to pay the Participant Profit and payments due under instruments that rank pari passu with the Note, the Bank was undercapitalized, or certain other events occurred (each, a "Non-Payment Event"), or if the Bank elected not to pay the Participant Profit at its discretion (a "Non-Payment Election"), the Bank was not required to pay the Participant Profit to the Subscriber. Failure to pay such Participant Profit did not constitute an event of default under the Participation Agreement. In the event of a Non-Payment Event or a Non-Payment Election, the Bank could not pay dividends on or purchase or redeem any securities that rank junior to the Note until the Bank made another payment of Participant Profit.

The Note had no maturity date. The Bank could, but was not at any time required to, terminate the Note by exercising a right to conduct a final constructive liquidation of the Note (a "Final Liquidation"). The Bank could only conduct a Final Liquidation (1) if certain adverse tax events occurred, (2) if the Note stopped being eligible as AT1 capital, or (3) beginning five years after issuance of the Note. A Final Liquidation could only be commenced if certain regulatory criteria were satisfied. In the event of the Bank's insolvency, the Note ranked senior only to the Bank's common stock and similar instruments, and ranked pari passu with other AT1 instruments. It was subordinated to all other liabilities, including depositors and general and subordinated creditors. The Note was not secured and is not guaranteed by any party.

At December 31, 2016, the Note balance net of issuance costs totaled $2,352,767, and there was no balance in the off balance sheet Reserve Account. During the years ended December 31, 2017 and 2016, the Company recorded interest expense related to the Note totaling $71,058 and $77,830. During 2017, the Note and accrued interest were repaid in full.

NOTE 16 – EMPLOYEE STOCK OWNERSHIP AND RETIREMENT SAVINGS PLAN

The Bank has an employee stock ownership and retirement savings plan (the "Plan") that allows employees of the Bank and the Bank's subsidiaries 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, 2017 and 2016 totaled $278,762 and $239,329, respectively.

The Company may also make discretionary contributions to the employee stock ownership component (the "ESOP Component"). A participants' share in the Company's ESOP contribution is based on his or her current compensation as a percentage of the total employee compensation. Upon retirement from the Company, participants can receive distributions of their allocated shares of the Company's stock. At December 31, 2017, the Company had accrued $113,336 which is expected to be contributed to the ESOP in 2018. At December 31, 2016, the Company had accrued $110,722 which was to be contributed to the ESOP in 2017. Compensation expense related to ESOP contributions amounted to $98,836 and $110,722 during the years ended December 31, 2017 and 2016, respectively.

The annual contribution to the ESOP is at the discretion of the Board of Directors. Assets of the ESOP include 97,316 and 96,029 shares of the Company's stock at December 31, 2017 and 2016, respectively, all of which were fully allocated. The assets of the ESOP are held in trust and were valued at $885,576 and $691,409 at December 31, 2017 and 2016, respectively.

NOTE 17 – 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.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Commitments (Continued)

The following is a summary of commitments:

	December 31,	
	2017	2016
Unused lines of credit	$ 3,577,760	$ 3,725,719
Unused credit card limits	2,959,856	2,628,691
Unused commitments for residential construction	4,774,635	4,908,233
	$ 11,312,251	$ 11,262,643

Contingencies

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.

In December 2015, the Company recorded a contingent liability totaling $977,840 related to a lawsuit against the Company stemming from trade secrets claims made by a competitor of UIF. In March 2015, the jury returned a verdict against UIF and awarded the competitor $848,000. In July 2016, the court entered an amended final judgment in favor of the competitor in the amount of $1,242,365 which was paid by the Company in August 2016. In October 2016, the court entered a full satisfaction of the judgment. In July 2016, the competitor appealed the court rulings for denial of its request for exemplary damages, reduction of its requested cost/fee awards, and enhancement of defendants' fee award. The Company cross-appealed on all issues, asking that the judgment be reversed and that the competitor's claims be dismissed. In December 2017, the Court of Appeals granted the competitor relief on its appeal and denied the cross-appeal of the Company. In a mandate issued in March 2018, the Court of Appeals ordered the trial court to reduce the enhanced attorney fees awarded to the Company to actual fees incurred, which reduced the amount by $72,896, plus interest. The Court of Appeals remanded the trial court to revisit the ruling of denying the competitor exemplary damages of $848,000, as this was not sufficiently explained in its findings. The Court of Appeals also awarded the competitor $120,983 in costs and fees on appeals. The competitor is now also contending that it is owed $131,312 as additional interest from the date of the jury verdict to the original judgement. As of the December 31, 2017, the Company has accrued the repayment of the reduction in fees awarded and the amount of the appellate fee award for a total accrual of $203,346, which is included in the contingent legal liability on the balance sheet. The Company is continuing to vigorously defend the exemplary damages claim of $848,000 and interest claim of $131,312. A hearing date has not been scheduled.

NOTE 18 – RELATED PARTY TRANSACTIONS

Available lines of credit to directors, officers and their affiliates at both December 31, 2017 and 2016 amounted to $180,000 and $155,000, of which $44,020 and $29,874 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, 2017 and 2016.

The Bank had demand deposits of $215,965 and $226,907 from directors, officers and their affiliates as of December 31, 2017 and 2016, respectively. The Bank also holds demand deposits from various employees in the normal course of business.

NOTE 19 – LINES OF CREDIT

The Bank has a line of credit available from the FHLB. The limit on this line was $1,300,000 and $-0- as of December 31, 2017 and 2016. The line is secured by the pledge of specific mortgage loans held for investment along with FHLB stock and available-for-sale securities. As of December 31, 2017, the Bank's balance on the line was $-0- and availability on the line totaled $1,300,000.

In June 2014, the Company entered into 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 5%. This line is secured by financings, and matures on June 30, 2018. At both December 31, 2017 and 2016, there was no outstanding balance on this line of credit.

NOTE 20 – MORTGAGE PAYABLE

In November 2017, 2621 Carpenter Road, LLC sold the building in which it operated, and purchased a new building located at 2755 Carpenter Road in Ann Arbor, Michigan. As a result of the sale, the Company recognized a gain of $606,311, which is included in other income in the 2017 consolidated statement of operations and comprehensive income. As part of the purchase, the Company assumed the mortgage held by the seller. The original balance of the mortgage was $1,800,000, and the assumed balance at the time of the purchase was $1,669,430. The mortgage is payable in monthly installments of $10,198, including interest at 5.48%, and is due October 2022. The mortgage balance at December 31, 2017 was $1,666,856.

The following is a schedule of mortgage principal payments for each of the next five years:

Years ending December 31,	Amount
2018	$ 31,819
2019	33,607
2020	35,496
2021	37,491
2022	1,528,443
	$ 1,666,856

NOTE 21 – 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 $-0- and $100,000 during the years ended December 31, 2017 and 2016, respectively. University Bancorp, Inc. paid dividends of $-0- and $546,733 to common shareholders during the years ended December 31, 2017 and 2016, respectively.

NOTE 21 – REGULATORY MATTERS (Continued)

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 Bank is also subject to prompt corrective action capital requirement regulations set forth by the FDIC. The FDIC requires the Bank to maintain a minimum of total capital and Tier 1 capital (as defined) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average total assets (as defined). As of December 31, 2017 and 2016, respectively, the Bank met all capital adequacy requirements to which it is subject. The Bank's required and actual ratios and amounts of Tier 1 leverage, Tier 1 risk-weighted and total risk-weighted capital are as follows:

	Actual		To Be Adequately Capitalized		To Be Well Capitalized	
	Amount	Ratios	Amount	Ratios	Amount	Ratios
As of December 31, 2017:						
Total capital (to risk-weighted assets)	$ 20,182,000	12.63%	$ 12,784,000	8.00%	$ 15,980,000	10.00%
Tier 1 capital (to risk-weighted assets)	19,589,000	12.26%	6,392,000	4.00%	9,588,000	6.00%
Tier 1 capital (to average assets)	19,589,000	10.31%	7,598,760	4.00%	9,498,450	5.00%
As of December 31, 2016:						
Total capital (to risk-weighted assets)	$ 16,262,000	16.78%	$ 7,752,640	8.00%	$ 9,690,800	10.00%
Tier 1 capital (to risk-weighted assets)	15,841,000	16.35%	3,876,320	4.00%	5,814,480	6.00%
Tier 1 capital (to average assets)	15,841,000	8.64%	7,330,360	4.00%	9,162,950	5.00%

NOTE 22 – OTHER CAPITAL REQUIREMENTS

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

	Actual Capital	Minimum Capital
As of December 31, 2017:		
Bank		
HUD	$ 22,761,069	$ 1,000,000
FHLMC	$ 22,761,069	$ 2,623,919
FNMA	$ 22,761,069	$ 3,786,900
Midwest		
HUD	$ 11,326,186	$ 1,150,321
FHLMC	$ 11,326,186	$ 2,505,134
FNMA	$ 11,326,186	$ 2,768,139
GNMA	$ 11,326,186	$ 2,878,647
ULG		
HUD	$ 12,675,196	$ 2,500,000
UIF		
FHLMC	$ 13,838,243	$ 3,280,700

	Actual Capital	Minimum Capital
As of December 31, 2016:		
Bank		
HUD	$ 17,413,778	$ 1,000,000
FHLMC	$ 17,413,778	$ 3,394,568
FNMA	$ 17,413,778	$ 3,066,811
Midwest		
HUD	$ 12,424,001	$ 1,951,335
FHLMC	$ 12,242,001	$ 2,505,850
FNMA	$ 12,424,001	$ 2,807,913
GNMA	$ 12,424,001	$ 2,973,417
ULG		
HUD	$ 13,096,765	$ 2,500,000
UIF		
FHLMC	$ 12,138,345	$ 3,415,217

NOTE 22 – OTHER CAPITAL REQUIREMENTS (Continued)

As of December 31, 2017 and 2016, the Bank, Midwest, ULG and UIF were also each required to have a minimum amount of liquid assets under certain liquidity requirements and were in compliance with these requirements.

NOTE 23 – FAIR VALUE MEASUREMENTS

The ASC standards provide a single definition of fair value, together with a framework for measuring it, and require additional disclosure about the use of fair value to measure assets and liabilities. The standards also emphasize that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the standards, fair value measurements are disclosed by level within that hierarchy.

The fair value standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

The fair value standards require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability.

Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

NOTE 23 – FAIR VALUE MEASUREMENTS (Continued)

In that regard, the 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. The Company's management evaluates its hierarchy disclosures.

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.

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.

Available-for-Sale Securities

The fair value of the securities represents the amount the Company would realize upon sale of the mortgage backed securities currently in the portfolio. The Company receives current market values from The Federal Home Loan Bank on a monthly basis as part of its collateral positions. The securities are then marked to market every month based on these values. These securities are considered to be Level 2 assets in the valuation hierarchy. Net unrealized gains and losses on available-for-sale securities are included in other comprehensive income.

NOTE 23 – FAIR VALUE MEASUREMENTS (Continued)

Loans and Financings Held for Sale or Assignment

The Company elected to account for its loans and financings held for sale or assignment at fair value under the ASC standards that permit the Company to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, thus the Company may record identical financial assets and liabilities at fair value or by another measurement basis permitted under GAAP, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments.

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 considered to be 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 gain on change in fair value of loans and financings held for sale or assignment at December 31, 2017 and 2016 was $2,435,196 and $2,010,734, respectively, which is included in the other income section in the consolidated statements of operations.

MSRs

The Company accounts for MSRs at fair value in accordance with the ASC standards for servicing rights as discussed in Note 1. 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 factors, including prepayment assumptions, discount rates, delinquency rates, contractual specified servicing fees and underlying portfolio characteristics. Because these inputs are not transparent in market trades, MSRs are considered to be Level 3 assets in the valuation hierarchy. Net changes in fair value of MSRs are included in earnings.

NOTE 23 – FAIR VALUE MEASUREMENTS (Continued)

Derivatives – IRLCs and Forward Commitments

The Company enters into IRLCs in connection with its mortgage banking activities to fund mortgage loans and financings at specified times in the future. IRLCs that relate to the origination of mortgage loans and financings that will be held for sale or assignment are considered derivative instruments as discussed in Note 1. As such, in accordance with ASC standards for derivative instruments, these IRLCs are recorded at fair value with changes in fair value recorded in earnings.

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 ULG’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, which is based on unobservable data. Because these inputs are not transparent in market trades, IRLCs are considered to be 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.

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 or financing sales commitments to economically hedge the risk of potential changes in the value of the loans or financings that would result from the commitments. These forward sales commitments are considered derivative instruments as discussed in Note 1, and hence are valued at fair value with changes in fair value recorded in earnings.

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. Forward commitments are considered to be Level 3 assets or liabilities in the valuation hierarchy.

NOTE 23 – FAIR VALUE MEASUREMENTS (Continued)

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 collateral is estimated by considering appraisals, which are updated on a periodic basis to reflect current housing market conditions.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3
December 31, 2017			
Assets:			
Available-for-sale securities	$ -	$ 1,120,098	$ -
Loans and financings held for sale or assignment	$ -	$ 62,313,445	$ -
Mortgage and financing servicing rights	$ -	$ -	$ 9,812,943
Interest and financing rate lock commitments	$ -	$ -	$ 795,989
Liabilities:			
Forward sales commitments	$ -	$ -	$ 57,172

	Level 1	Level 2	Level 3
December 31, 2016			
Assets:			
Available-for-sale securities	$ -	$ 2,039,365	$ -
Loans and financings held for sale or assignment	$ -	$ 56,496,574	$ -
Mortgage and financing servicing rights	$ -	$ -	$ 11,069,440
Interest and financing rate lock commitments	$ -	$ -	$ 1,271,023
Forward sales commitments	$ -	$ -	$ 167,554
Liabilities:	$ -	$ -	$ -

NOTE 23 – 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:

	MSRs	IRLCs	Forward Sales Commitments
Fair value at January 1, 2016	$ 9,379,862	$ 959,862	$ (58,111)
Purchases, sales, issuances, settlements, net	2,856,966	(959,862)	58,111
Net gains (losses)	(1,167,388)	1,271,023	167,554
Fair value December 31, 2016	11,069,440	1,271,023	167,554
Purchases, sales, issuances, settlements, net	804,217	(1,271,023)	(167,554)
Net gains (losses)	(2,060,714)	795,989	(57,172)
Fair value December 31, 2017	$ 9,812,943	$ 795,989	$ (57,172)

During the year ended December 31, 2017, 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 $89,267.There were no assets or liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2016.

Other ASC standards require disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The estimated fair value approximates carrying value for cash and due from banks, certificates of deposit, Federal Home Loan Bank stock, the participatory note payable, and the mortgage payable. The methodologies for other financial assets and financial liabilities are discussed below.

Loans and Financings, Net

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.

NOTE 23 – FAIR VALUE MEASUREMENTS (Continued)

Deposits

The fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date. 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.

The estimated fair values of financial instruments are as follows (in thousands):

	December 31,			
	2017		2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Significant financial assets:				
Cash and due from banks	$ 100,108	$ 100,108	$ 42,424	$ 42,424
Restricted cash	1,289	1,289	1,006	1,006
Securities available-for-sale	1,120	1,120	2,039	2,039
Federal Home Loan Bank stock	637	637	637	637
Loans and financings held for sale or assignment	62,313	62,313	56,497	56,497
Loans and financings, net	56,884	57,122	65,678	65,619
Mortgage and financing servicing rights	9,813	9,813	11,069	11,069
Derivatives	796	796	1,439	1,439
Significant financial liabilities:				
Deposits:				
Demand - non-interest bearing	$ 188,692	$ 188,692	$ 135,220	$ 135,220
Demand - interest bearing and profit sharing	13,256	13,256	15,400	15,400
Savings	441	441	478	478
Time	2,738	2,820	3,043	3,137
Participatory note payable	-	-	2,353	2,353
Derivatives	57	57	-	-
Mortgage payable	1,667	1,667	-	-

NOTE 24 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 252,831	$ 15,537
Investment in University Bank	23,080,868	17,909,701
Accounts receivable - University Bank	53,000	53,000
Other assets	11,564	98,472
Total assets	$ 23,398,263	$ 18,076,710
LIABILITIES AND EQUITY		
Accounts payable and other liabilities	$ 21,603	$ 875
Total equity	23,376,660	18,075,835
Total liabilities and equity	$ 23,398,263	$ 18,076,710

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

CONDENSED STATEMENTS OF OPERATIONS

	December 31, 2017	December 31, 2016
OTHER INCOME		
Interest and dividend income	$ 273	$ 160
EXPENSES		
Professional fees and public listing	64,149	29,096
Other miscellaneous	11,168	18,162
Total expenses	75,317	47,258
Net loss before income taxes and net income of subsidiary	(75,044)	(47,098)
Income tax benefit	(28,235)	(27,934)
Net loss before net income of subsidiary	(46,809)	(19,164)
Net income of subsidiary	5,171,167	3,825,361
Net income	$ 5,124,358	$ 3,806,197

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

CONDENSED STATEMENTS OF CASH FLOWS

	December 31,	
	2017	**2016**
OPERATING ACTIVITIES		
Net income	$ 5,124,358	$ 3,806,197
Adjustments to reconcile net income to net cash flows from operating activities:		
Net change in:		
Accounts receivable and other assets	83,375	418,276
Accounts payable and other liabilities	20,728	(231)
Net income of subsidiary	(5,171,167)	(3,825,361)
Net cash provided by operating activities	57,294	398,881
INVESTING ACTIVITIES		
Dividends received from University Bank	-	100,000
FINANCING ACTIVITIES		
Payment of dividends	-	(546,733)
Exercise of stock options	180,000	-
Net cash provided by (used in) financing activities	180,000	(546,733)
NET CHANGE IN CASH	237,294	(47,852)
Cash and Cash Equivalents, Beginning of Year	15,537	63,389
Cash and Cash Equivalents, End of Year	$ 252,831	$ 15,537