# UNIVERSITY BANCORP, INC.
# AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended December 31, 2022 and 2021

# UNIVERSITY BANCORP, INC. AND SUBSIDIARIES

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UHY LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

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, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

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

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

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

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

UHY LLP

Farmington Hills, Michigan
March 31, 2023

## UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **ASSETS** | | |
| Cash and cash equivalents | **$ 85,673,138** | $ 96,916,528 |
| Restricted cash | **-** | 617,061 |
| Total cash, cash equivalents and restricted cash | **85,673,138** | 97,533,589 |
| Investment securities, at amortized cost | **11,527,546** | 6,089,037 |
| Investment securities, at fair value | **9,583,996** | 4,156,218 |
| Investment in non-marketable equity securities | **1,093,075** | - |
| Federal Home Loan Bank stock | **4,275,000** | 1,113,400 |
| Loans and financings held for sale or assignment, at fair value | **64,776,830** | 137,214,609 |
| Loans held for sale at lower of cost or fair value | **-** | 673,713 |
| Loans and financings, net | **553,888,655** | 190,462,362 |
| Premises and equipment, net | **8,931,136** | 10,017,089 |
| Mortgage and financing servicing rights | **32,970,830** | 35,941,257 |
| Accounts receivable and advances to fund loans | **8,240,616** | 5,067,164 |
| Accrued interest and financing income receivable | **2,153,584** | 598,264 |
| Prepaid expenses | **3,873,963** | 2,295,936 |
| Prepaid income taxes | **1,628,357** | 1,107,694 |
| Derivatives | **1,568,829** | 2,983,702 |
| Goodwill | **422,981** | 422,981 |
| Customer relationships, net | **444,829** | 506,898 |
| Operating lease right of use assets | **3,119,662** | 4,184,931 |
| Other assets | **62,386** | 14,854 |
| Total assets | **$ 794,235,413** | $ 500,383,698 |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| Deposits: | | |
| Demand - non-interest bearing | **$ 346,443,978** | $ 344,365,956 |
| Demand - interest bearing and profit sharing | **12,684,935** | 15,207,548 |
| Savings | **579,655** | 487,341 |
| Time | **3,578,113** | 2,012,114 |
| Brokered time | **242,493,000** | - |
| Total deposits | **605,779,681** | 362,072,959 |
| Derivatives | **-** | 142,529 |
| Accounts payable | **1,215,905** | 2,617,406 |
| Accrued interest and profit sharing payable | **741,457** | 4,329 |
| Allowance for loan and financing recourse | **616,546** | 823,147 |
| Escrow, mortgage and financing insurance liabilities | **548,515** | 484,537 |
| Liability to fund closed but undisbursed loans and financings | **193,319** | 4,027,972 |
| Deferred income taxes | **6,914,183** | 9,919,117 |
| Accrued expenses and other liabilities | **8,276,810** | 11,249,905 |
| Contingent consideration liability | **-** | 404,530 |
| Federal Home Loan Bank advances | **50,000,000** | - |
| Subordinated debt | **14,125,536** | - |
| Mortgage payable | **-** | 1,534,148 |
| Operating lease liability | **3,063,135** | 4,123,016 |
| Loan repurchase liability | **14,568,065** | 17,059,758 |
| Accrued preferred dividends | **270,972** | 102,012 |
| Total liabilities | **706,314,124** | 414,565,365 |
| **COMMITMENTS AND CONTINGENCIES** | | |
| **EQUITY** | | |
| University Bancorp, Inc. stockholders' equity: | | |
| Common stock | **52,069** | 52,069 |
| Preferred stock; liquidation value $2,400,000 | **24** | 24 |
| Treasury stock, at cost | **(2,510,298)** | (2,872,298) |
| Additional paid-in capital | **10,150,024** | 10,150,024 |
| Retained earnings | **70,992,869** | 69,672,712 |
| Accumulated other comprehensive income (loss) | **(1,163)** | 1,511 |
| Equity attributable to stockholders of University Bancorp, Inc. | **78,683,525** | 77,004,042 |
| Noncontrolling interest | **9,237,764** | 8,814,291 |
| Total equity | **87,921,289** | 85,818,333 |
| Total liabilities and equity | **$ 794,235,413** | $ 500,383,698 |

*See notes to consolidated financial statements.*

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

| | Years ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Interest and financing income: | | |
| Interest and fees on loans and financing income | **$ 20,594,330** | $ 11,748,188 |
| Interest on securities: | | |
| U.S. government agencies | **168,911** | 123,095 |
| Other securities | **45,027** | 19,681 |
| Interest on federal funds and other | **1,433,596** | 281,009 |
| Total interest and financing income | **22,241,864** | 12,171,973 |
| Interest and profit sharing expense: | | |
| Interest and profit sharing on deposits: | | |
| Demand | **141,937** | 24,255 |
| Savings | **1,066** | 462 |
| Time | **961,628** | 42,939 |
| Short-term Federal Home Loan Bank advances | **630,330** | - |
| Long-term debt | **93,153** | 86,329 |
| Total interest and profit sharing expense | **1,828,114** | 153,985 |
| Net interest and financing income | **20,413,750** | 12,017,988 |
| Provision for loan and financing losses | **(33,289)** | (429,374) |
| Net interest and financing income after provision for loan and financing losses | **20,447,039** | 12,447,362 |
| Noninterest income: | | |
| Loan and financing servicing and sub-servicing fees | **24,450,951** | 23,377,029 |
| Origination and other fees | **10,360,291** | 14,855,412 |
| Gain on sale of mortgage loans, net, and fee income for assignment of financings | **29,752,459** | 71,993,502 |
| Insurance & investment agency fee income | **1,440,207** | 1,437,375 |
| Deposit service charges and fees | **49,851** | 41,637 |
| Change in fair value of mortgage and financing servicing rights | **7,473,411** | 5,142,830 |
| Change in fair value of contingent consideration liability | **132,194** | (113,014) |
| Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments | **(1,864,049)** | 2,594,938 |
| Other income | **40,572** | 1,674,174 |
| Total noninterest income | **71,835,887** | 121,003,883 |

*See notes to consolidated financial statements.*

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

| | Years ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Noninterest expense: | | |
| Compensation and benefits | **$ 59,301,683** | $ 72,900,353 |
| Occupancy | **3,357,383** | 3,469,468 |
| Data processing and equipment | **8,873,763** | 6,484,571 |
| Legal and audit | **1,224,561** | 1,108,659 |
| Consulting | **1,983,608** | 1,625,527 |
| Mortgage banking | **5,694,685** | 5,299,953 |
| Advertising | **1,027,946** | 1,061,621 |
| Membership and training | **954,250** | 844,057 |
| Travel and entertainment | **1,028,217** | 943,139 |
| Supplies and postage | **1,698,475** | 1,552,868 |
| Insurance | **700,187** | 578,023 |
| Director related | **429,700** | 721,000 |
| FDIC assessments | **133,416** | 122,537 |
| Amortization of customer relationships | **62,068** | 62,068 |
| Other operating | **481,064** | 654,990 |
| Total noninterest expense | **86,951,006** | 97,428,834 |
| Income before income taxes | **5,331,920** | 36,022,411 |
| Income tax expense | **1,119,047** | 7,981,204 |
| **Net income** | **$ 4,212,873** | $ 28,041,207 |

*See notes to consolidated financial statements.*

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

| | Years ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **COMPREHENSIVE INCOME** | | |
| Net income | **$ 4,212,873** | $ 28,041,207 |
| Net unrealized gain (loss) on debt securities available-for-sale | **(2,674)** | 1,416 |
| **COMPREHENSIVE INCOME** | **$ 4,210,199** | $ 28,042,623 |
| Net income and comprehensive income attributable to the noncontrolling interest | **$ 423,473** | $ 2,721,412 |
| **Net income attributable to stockholders of University Bancorp, Inc.** | **$ 3,789,400** | $ 25,319,795 |
| **Comprehensive income attributable to stockholders of University Bancorp, Inc.** | **$ 3,786,726** | $ 25,321,211 |
| **EARNINGS PER SHARE** | | |
| Basic earnings per share attributable to common stockholders of University Bancorp, Inc. | **$ 0.74** | $ 4.90 |
| Diluted earnings per share attributable to common stockholders of University Bancorp, Inc. | **$ 0.73** | $ 4.84 |
| Weighted-average common shares outstanding | | |
| Basic | **4,919,463** | 4,820,816 |
| Diluted | **4,937,034** | 4,886,531 |
| Dividends declared per common share | **$ 0.45** | $ 0.38 |

## UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF EQUITY

| | University Bancorp, Inc. Stockholders' | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock, \$.01 par value, 6,000,000 shares authorized | | Preferred Stock, \$.001 par value, 500,000 shares authorized | | Treasury Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Compre-hensive Income (Loss) | Non-controlling Interest | Total |
| | Number of Shares | Par Value | Number of Shares | Par Value | Number of Shares | Cost | | | | | |
| **Balance at January 1, 2021** | 5,206,899 | $ 52,069 | 50,000 | $ 50 | 441,381 | $ (3,994,498) | $ 12,426,674 | $ 48,110,133 | $ 95 | $ 6,092,879 | $ 62,687,402 |
| Exercise of stock options | - | - | - | - | (124,000) | 1,122,200 | - | (254,200) | - | - | 868,000 |
| Share-based compensation | - | - | - | - | - | - | 193,324 | - | - | - | 193,324 |
| Common stock dividends | - | - | - | - | - | - | - | (1,814,970) | - | - | (1,814,970) |
| Preferred dividends | - | - | - | - | - | - | - | (258,046) | - | - | (258,046) |
| Redemption of preferred shares | - | - | (26,000) | (26) | - | - | (2,469,974) | (1,430,000) | - | - | (3,900,000) |
| Net unrealized gain on debt securities available-for-sale | - | - | - | - | - | - | - | - | 1,416 | - | 1,416 |
| Net income | - | - | - | - | - | - | - | 25,319,795 | - | 2,721,412 | 28,041,207 |
| **Balance at December 31, 2021** | 5,206,899 | 52,069 | 24,000 | 24 | 317,381 | (2,872,298) | 10,150,024 | 69,672,712 | 1,511 | 8,814,291 | 85,818,333 |
| Exercise of stock options | - | - | - | - | (40,000) | 362,000 | - | (82,000) | - | - | 280,000 |
| Common stock dividends | - | - | - | - | - | - | - | (2,218,283) | - | - | (2,218,283) |
| Preferred dividends | - | - | - | - | - | - | - | (168,960) | - | - | (168,960) |
| Net unrealized loss on debt securities available-for-sale | - | - | - | - | - | - | - | - | (2,674) | - | (2,674) |
| Net income | - | - | - | - | - | - | - | 3,789,400 | - | 423,473 | 4,212,873 |
| **Balance at December 31, 2022** | 5,206,899 | $ 52,069 | 24,000 | $ 24 | 277,381 | $ (2,510,298) | $ 10,150,024 | $ 70,992,869 | $ (1,163) | $ 9,237,764 | $ 87,921,289 |

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

| | Years ended December 31, 2022 | 2021 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | **$ 4,212,873** | $ 28,041,207 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | **1,895,237** | 1,900,289 |
| Amortization of discount on purchased loans held for investment | **(150,986)** | (300,527) |
| Change in fair value of mortgage and financing servicing rights | **(7,473,411)** | (5,142,830) |
| Change in fair value of contingent consideration liability | **(132,194)** | 113,014 |
| Change in fair value of loans and financings held for sale or assignment, interest and financing rate locks, and forward commitments | **1,864,049** | (2,594,938) |
| Deferred income tax (benefit) expense | **(3,004,934)** | 2,883,172 |
| Provision for loan and financing losses | **(33,289)** | (429,374) |
| Net gain on sale of mortgage loans and fee income for assignment of financings | **(29,752,459)** | (71,993,502) |
| Loss on sale of premises and equipment | **-** | 41,109 |
| Unrealized (gain) loss on equity securities | **1,384,108** | (531,034) |
| Realized gain on sale of equity securities | **(3,033)** | (44,966) |
| Net amortization on securities held-to-maturity | **5,452** | 8,476 |
| Originations of mortgage loans and financings | **(1,310,246,134)** | (2,249,630,013) |
| Proceeds from mortgage loan sales and assignment of financings | **1,399,467,920** | 2,356,921,460 |
| Share-based compensation | **-** | 193,324 |
| Non-cash lease expense | **5,388** | 13,574 |
| Net change in: | | |
| Various other assets | **(4,104,299)** | 904,303 |
| Various other liabilities | **(3,573,490)** | (2,156,269) |
| Net cash provided by operating activities | **50,360,798** | 58,196,475 |
| **INVESTING ACTIVITIES** | | |
| Proceeds from paydowns of debt securities held-to-maturity | **971,552** | 2,486,875 |
| Proceeds from paydowns of debt securities available-for-sale | **229,776** | 25,873 |
| Purchase of debt securities held-to-maturity | **(6,415,514)** | (4,296,613) |
| Purchase of equity securities | **(7,091,872)** | (3,239,872) |
| Proceeds from sale of equity securities | **50,570** | 99,383 |
| Purchase of non-marketable equity securities | **(1,093,075)** | - |
| Purchase of Federal Home Loan Bank stock | **(3,161,600)** | - |
| Loans and financings granted, and repayments, net | **(365,733,711)** | (73,386,145) |
| Proceeds from sale of mortgage servicing rights | **17,538,082** | - |
| Payment of contingent consideration liability | **(272,336)** | (390,226) |
| Purchases of premises and equipment | **(747,215)** | (2,963,625) |
| Net cash used in investing activities | **(365,725,343)** | (81,664,350) |

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

| | Years ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **FINANCING ACTIVITIES** | | |
| Net change in deposits | **$ 243,706,722** | $ (73,376,448) |
| Brokered time deposits issuance costs | **(855,733)** | - |
| Proceeds from exercise of stock options | **280,000** | 868,000 |
| Payment of preferred dividends | **-** | (381,034) |
| Redemption of preferred shares | **-** | (3,900,000) |
| Net change in short-term FHLB borrowings | **50,000,000** | - |
| Proceeds from issuance of subordinated debt | **14,500,000** | - |
| Subordinated debt issuance costs | **(374,464)** | - |
| Principal payments on mortgage payable | **(1,534,148)** | (36,043) |
| Payment of common dividends | **(2,218,283)** | (2,533,548) |
| Net cash provided by (used in) financing activities | **303,504,094** | (79,359,073) |
| **NET CHANGE IN CASH AND RESTRICTED CASH** | **(11,860,451)** | (102,826,948) |
| **Cash, Cash Equivalents and Restricted Cash, Beginning of Year** | **97,533,589** | 200,360,537 |
| **Cash, Cash Equivalents and Restricted Cash, End of Year** | **$ 85,673,138** | $ 97,533,589 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | |
| Cash paid during the year for interest | **$ 1,090,986** | $ 153,003 |
| Cash paid during the year for income taxes | **$ 4,690,000** | $ 6,126,000 |
| **SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:** | | |
| Net mortgage loans recorded for repurchase option | **$ 2,491,693** | $ 1,526,145 |
| Accrual of preferred dividends | **$ 168,960** | $ - |
| Receivable recorded upon sale of mortgage servicing rights | **$ 1,914,962** | $ - |

## 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 Arbor Street, LLC (“Arbor Street”), and the Bank’s 80% owned subsidiary, UIF Corporation (“UIF”). 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 also services and subservices loans. 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.

ULG commenced operations in April 2008 and is headquartered in Clinton Township, Michigan. ULG operates in seventeen retail branches throughout the United States. 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. In April 2022, ULG was dissolved, and its net assets were assumed by the Bank. ULG now operates as a division of the Bank.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Nature of Operations and Principles of Consolidation** (Continued)

Through late 2022, Arbor Street, previously named Midwest Loan Solutions, Inc., was engaged in the business of servicing residential mortgages. Arbor Street was also engaged in the business of marketing, originating, processing, closing, and selling retail mortgage loans. The Company also offered commercial warehouse lines of credit. During 2022, Midwest Loan Solutions, Inc. was converted from a Corporation to an LLC and renamed Arbor Street, LLC. Arbor Street is no longer engaged in the business of marketing, originating, processing, closing, and selling retail mortgage loans or commercial warehouse lines of credit. Arbor Street continues to invest in real estate-related assets including residential mortgage loans, mortgage servicing rights, real property, small commercial mortgage loans, securities that are backed by these underlying assets, and related investments. The Bank owns 100% of the common membership interest of Arbor Street. Arbor Street is also authorized to issue Class A preferred membership interest, although no such interest was issued as of December 31, 2022.

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Nature of Operations and Principles of Consolidation** (Continued)

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

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

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

The second form of financing was the installment sale method. As agent for the Bank, UIF bought either a residential or a commercial property selected by a customer and then 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 residential financing contract is executed by UIF and the customer, the contract is assigned to the Bank, and then assigned to the Federal Home Loan Mortgage Corporation ("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 a master agreement between UIF and the Bank. The customer pays Freddie Mac for the property that was purchased on an installment basis, in accordance with an agreed repayment schedule.

The Company records these contracts at fair value for the short period of time that they are held before assignment to Freddie Mac. The residential financing 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. After commercial financing contracts are executed, they are retained on UIF's balance sheet as financings. See Note 25 for additional discussion of the determination of fair value. This financing model is no longer used, but a legacy portfolio remains on the Company's consolidated balance sheet.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Nature of Operations and Principles of Consolidation (Continued)

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

The monthly buyout payments are also inclusive of use payments to the joint owner (UIF) in consideration for UIF allowing the customer to use their portion of the property. After the residential declining balance agreements are executed by UIF and the customer, the contract and UIF's ownership rights are assigned to either Freddie Mac or the Federal National Mortgage Association ("Fannie Mae") or are retained on the Company's consolidated balance sheet as financings. After commercial financing contracts are executed, they are retained on the Company's consolidated balance sheet as financings or could involve a participating bank. This model can be utilized for both fixed and variable rate mortgage transactions. Upon closing, if these residential financings are to be transferred to Freddie Mac or Fannie Mae, the Company records these residential financings at fair value for the short period of time that they are held before being transferred. These residential financings are assigned with servicing retained. See Note 25 for additional discussion of the determination of fair value.

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Use of Estimates

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

The significant estimates incorporated into these financial statements, which are most susceptible to change in the near term, include the identification and valuation of mortgage and financing servicing rights, the allowance for 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 and restricted cash is defined to include the cash on hand, interest bearing deposits in other institutions, federal funds sold, other investments with an original maturity of three months or less, and restricted cash. Net cash flows are reported for customer loans and financings, deposit transactions, and interest-bearing deposits with other banks.

### Investment in Marketable Securities

Marketable debt securities held-to-maturity are carried at amortized cost and adjusted for amortization of premiums and accretion of discounts using the interest method. Marketable debt securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income or loss. Realized gains and losses on the sale of marketable debt securities available-for-sale are recorded in the consolidated statements of operations.

Marketable debt securities are written down through a charge to earnings when a decline in fair value below amortized cost is other-than-temporary. During the years ended December 31, 2022 and 2021, there were no other-than-temporary losses.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment in Marketable Securities (Continued)

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

### Investment in Non-Marketable Equity Securities

Non-marketable equity securities consist of an investment in shares of a privately-held trust bank without a readily determinable fair value. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in earnings.

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Investment in Non-Marketable Equity Securities** (Continued)

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

**Federal Home Loan Bank Stock**

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

**Loans and Financings**

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 delinquent, 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 written 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)

### Leases

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

Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If it cannot be easily determined, the lessee's incremental borrowing rate is used. Book value is re-measured if the lease term changes. The Company applies the exemptions for recognizing short-term leases (those leases with terms of 12 months or less from the inception date and that do not include a purchase option) and leases in which the underlying asset is of low value. The lease payments deriving from these contracts are expensed on a straight-line basis over the lease term. The Company also elected not to separate lease and non-lease components for all leases.

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

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

## 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 has elected to record all loans and financings held for sale at fair value. Loans and financings are generally sold or assigned without recourse, except in certain events as defined in the related sale or assignment documents.

An allowance was booked for potential recourse liabilities related to loans and financings sold or assigned, and loans and financings held for sale or assignment, in the amount of $616,546 and $823,147 as of December 31, 2022 and 2021, respectively.

At certain times the Company may be required to buyback loans from a purchaser in accordance with loan purchase documents if certain representations and warranties regarding eligibility and underwriting are not met. Also, certain securitization programs allow the Company to buy back individual delinquent mortgage loans from the securitized loan pool once certain conditions are met. When individual loans meet the specified delinquency criteria and are eligible for repurchase, the Company has the option to repurchase the delinquent loan for an amount equal to 100% of the loan's remaining principal balance and must account for loans as if they had been repurchased, provided the buyback option provides the Company with a "more-than-trivial benefit." The delinquent loans must be brought back onto the Company's balance sheet as assets and initially recorded at fair value, regardless of whether the Company intends to exercise the buyback option. An offsetting liability is also recorded. Included in the loans held for investment at December 31, 2022 and 2021 are $14,568,065 and $17,059,758, respectively, of delinquent residential loans that the Company has the option to buy back. As of December 31, 2022, and 2021, a loan repurchase liability of $14,568,065 and $17,059,758, respectively, is recorded on the balance sheet related to these repurchase options.

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Real Estate Owned**

Real estate properties acquired upon foreclosure of a loan or financing are recorded at fair value upon foreclosure, establishing a new cost basis. Any difference between the fair value of the real estate from the carrying value of the related loan or financing is accounted for as a 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 noninterest expense.

**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 within 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 such, these IRLCs are recorded at fair value (see Note 25) with net changes in fair value recorded in earnings.

Outstanding IRLCs expose the Company to the risk that the price of the loans or financings underlying the commitments might decline from inception of the rate lock to the funding of the loan or financing. To protect against this risk, the Company utilizes forward loan and financing sales commitments to economically hedge the risk of potential changes in the value of the loans and financings that would result from the commitments. These forward commitments are recorded at fair value (see Note 25) with net changes in fair value recorded in earnings.

**Goodwill**

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

When performing an impairment test, 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill (Continued)

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 2022 and 2021 resulted in no impairment losses.

### 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 2022 or 2021.

### 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, 2022 and 2021, there are no uncertain tax positions for which a reserve or liability is recognized.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Computation of EPS

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

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

### Subsequent Events

The Company has performed a review of events subsequent to December 31, 2022, through March 31, 2023, the date the consolidated financial statements were available to be issued. See Note 29 for additional information.

## NOTE 2 – RESTRICTIONS ON CASH AND CASH EQUIVALENTS

In accordance with the mortgage payable discussed in Note 22, 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 $-0- and $617,061 at December 31, 2022 and 2021, respectively.

## NOTE 3 – INVESTMENT SECURITIES

### Marketable Securities

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

| December 31, 2022 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| At amortized cost: | | | | |
| U.S. agency mortgage-backed securities held-to-maturity | $ 8,840,172 | $ - | $ (1,021,330) | $ 7,818,842 |
| Foreign corporate bonds | 2,687,374 | - | (65,234) | 2,622,140 |
| Total at amortized cost | $ 11,527,546 | $ - | $ (1,086,564) | $ 10,440,982 |
| At fair value: | | | | |
| U.S. agency mortgage-backed securities available-for-sale | $ 62,670 | $ - | $ (1,163) | $ 61,507 |
| Equity securities | 10,382,511 | 1,488,356 | (2,348,378) | 9,522,489 |
| Total at fair value | $ 10,445,181 | $ 1,488,356 | $ (2,349,541) | $ 9,583,996 |

| December 31, 2021 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| At amortized cost: | | | | |
| U.S. agency mortgage-backed securities held-to-maturity | $ 6,089,037 | $ 42,476 | $ (93,983) | $ 6,037,530 |
| At fair value: | | | | |
| U.S. agency mortgage-backed securities available-for-sale | $ 292,447 | $ 1,511 | $ - | $ 293,958 |
| Equity securities | 3,338,175 | 557,630 | (33,545) | 3,862,260 |
| Total at fair value | $ 3,630,622 | $ 559,141 | $ (33,545) | $ 4,156,218 |

At December 31, 2022 and 2021, the fair value of marketable investment securities pledged to secure certain line of credit borrowings was $7,886,351 and $6,331,488, respectively. The balance of these borrowings at both December 31, 2022 and 2021 was $-0-.

## NOTE 3 – INVESTMENT SECURITIES (Continued)

### Marketable Securities (Continued)

The following is a summary of maturities of marketable debt securities held-to-maturity and available-for-sale as of December 31, 2022:

| | Held-to-maturity | | Available-for-sale | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Amounts maturing in: | | | | |
| One year or less | $ - | $ - | $ - | $ - |
| After one year through five years | 2,687,374 | 2,622,140 | 664 | 656 |
| After five years through ten years | - | - | - | - |
| After ten years | 8,840,172 | 7,818,842 | 62,006 | 60,851 |
| | $ 11,527,546 | $ 10,440,982 | $ 62,670 | $ 61,507 |

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 $1,201,328 and $2,512,748 for the years ended December 31, 2022 and 2021, respectively.

### Non-Marketable Securities

Non-marketable equity securities consist of an investment in capital stock of a privately held trust bank without a readily determinable fair value. The Company purchased this investment during 2022 for $1,093,075. As of December 31, 2022, the Company's non-marketable equity securities had a carrying value of $1,093,075. There were no upward or downward adjustments to the Company's non-marketable securities and there were no realized or unrealized gains or losses on non-marketable equity securities during the year ended December 31, 2022.

## NOTE 4 – LOANS AND FINANCINGS, NET

Major classifications of loans and financings are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Commercial | $ 6,716,861 | $ 12,145,363 |
| Commercial real estate | 93,057,364 | 74,760,712 |
| Residential real estate | 456,050,594 | 107,217,296 |
| Installment | 1,615,763 | 66,294 |
| Credit cards | 65,268 | 53,167 |
| Gross loans and financings | 557,505,850 | 194,242,832 |
| Allowance for loan and financing losses | (3,560,005) | (3,572,294) |
| Unearned discount on residential real estate loans | (57,190) | (208,176) |
| Net loans and financings | $ 553,888,655 | $ 190,462,362 |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Balance, beginning of year | $ 3,572,294 | $ 3,980,918 |
| Provision charged to operations | (33,289) | (429,374) |
| Recoveries credited to allowance | 21,000 | 20,750 |
| Charge-offs | - | - |
| Balance, end of year | $ 3,560,005 | $ 3,572,294 |

**NOTE 4 – LOANS AND FINANCINGS, NET** (Continued)

Changes in the allowance for loan and financing losses by portfolio segment for the year ended December 31 were as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Commercial | Retail | Unallocated | Total |
| Balance, beginning of year | $ 396,745 | $ 472,234 | $ 2,703,315 | $ 3,572,294 |
| Provision charged to operations | 47,864 | 779,655 | (860,808) | (33,289) |
| Recoveries credited to allowance | - | 21,000 | - | 21,000 |
| Charge-offs | - | - | - | - |
| Balance, end of year | $ 444,609 | $ 1,272,889 | $ 1,842,507 | $ 3,560,005 |

| | 2021 | | | |
|---|---|---|---|---|
| | Commercial | Retail | Unallocated | Total |
| Balance, beginning of year | $ 346,044 | $ 257,075 | $ 3,377,799 | $ 3,980,918 |
| Provision charged to operations | 50,701 | 194,409 | (674,484) | (429,374) |
| Recoveries credited to allowance | - | 20,780 | - | 20,780 |
| Charge-offs | - | - | - | - |
| Balance, end of year | $ 396,745 | $ 472,264 | $ 2,703,315 | $ 3,572,324 |

The following tables present the balance in the allowance for loan and financing losses and the recorded investment in loans and financings by portfolio segment and based on impairment method as of December 31:

| | 2022 | | | |
|---|---|---|---|---|
| | Commercial | Retail | Unallocated | Total |
| Allowance for loan and financing losses | | | | |
| Individually evaluated for impairment | $ 1,923 | $ 4,804 | $ - | $ 6,727 |
| Collectively evaluated for impairment | 442,687 | 1,268,084 | 1,842,507 | 3,553,278 |
| Balance, end of year | $ 444,610 | $ 1,272,888 | $ 1,842,507 | $ 3,560,005 |
| Loans and financings | | | | |
| Individually evaluated for impairment | $ 695,922 | $ 4,678,326 | $ - | $ 5,374,248 |
| Collectively evaluated for impairment | 99,078,303 | 453,053,299 | - | 552,131,602 |
| Balance, end of year | $ 99,774,225 | $ 457,731,625 | $ - | $ 557,505,850 |

### NOTE 4 – LOANS AND FINANCINGS, NET (Continued)

| | 2021 | | | |
|---|---|---|---|---|
| | Commercial | Retail | Unallocated | Total |
| Allowance for loan and financing losses | | | | |
| Individually evaluated for impairment | $ 2,528 | $ 19,052 | $ - | $ 21,580 |
| Collectively evaluated for impairment | 396,745 | 450,654 | 2,703,315 | 3,550,714 |
| Balance, end of year | $ 399,273 | $ 469,706 | $ 2,703,315 | $ 3,572,294 |
| Loans and financings | | | | |
| Individually evaluated for impairment | $ 1,002,810 | $ 4,413,680 | $ - | $ 5,416,490 |
| Collectively evaluated for impairment | 85,903,265 | 102,923,077 | - | 188,826,342 |
| Balance, end of year | $ 86,906,075 | $ 107,336,757 | $ - | $ 194,242,832 |

Due to the imprecise nature of the loan and financing loss estimation process and ever-changing economic conditions, the risk attributes of the portfolio may not be adequately captured in data related to the formula-based loan and financing loss components used to determine allocations in the Company’s analysis of the adequacy of the allowance for loan and financing losses. The Company, therefore, has established and held an unallocated portion within the allowance for loan and financing losses reflecting the uncertainty of future economic conditions within the Company’s market area.

Information about impaired loans and financings by class at December 31 was as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
| With an allowance recorded: | | | | |
| Commercial | $ - | $ - | $ - | $ - |
| Commercial real estate | 427,241 | 427,241 | 1,923 | 462,519 |
| Consumer/credit card | - | - | - | - |
| Residential real estate | 1,634,233 | 1,634,233 | 4,804 | 1,700,460 |
| Total | $ 2,061,474 | $ 2,061,474 | $ 6,727 | $ 2,162,979 |

| | 2021 | | | |
|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
| With an allowance recorded: | | | | |
| Commercial | $ - | $ - | $ - | $ - |
| Commercial real estate | 561,695 | 561,695 | 2,528 | 569,310 |
| Consumer/credit card | - | - | - | - |
| Residential real estate | 2,496,395 | 2,496,395 | 19,052 | 2,505,716 |
| Total | $ 3,058,090 | $ 3,058,090 | $ 21,580 | $ 3,075,026 |

Interest and financing income recognized for the time that loans and financings were impaired during 2022 and 2021 was not significant.

**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, 2022 and 2021:

| December 31, 2022 | Current | Past Due 30-59 Days | Past Due 60-89 Days | Past Due ≥ 90 Days | Past Due Total Past Due | Total Loans and Financings |
|---|---|---|---|---|---|---|
| Commercial | $ 6,716,861 | $ - | $ - | $ - | $ - | $ 6,716,861 |
| Commercial real estate | 93,057,364 | - | - | - | - | 93,057,364 |
| Consumer | 1,615,763 | - | - | - | - | 1,615,763 |
| Credit card | 65,268 | - | - | - | - | 65,268 |
| Residential real estate | 439,387,187 | 595,123 | - | 16,068,284 | 16,663,407 | 456,050,594 |
| Total | $ 540,842,443 | $ 595,123 | $ - | $ 16,068,284 | $ 16,663,407 | $ 557,505,850 |

| December 31, 2021 | Current | Past Due 30-59 Days | Past Due 60-89 Days | Past Due ≥ 90 Days | Past Due Total Past Due | Total Loans and Financings |
|---|---|---|---|---|---|---|
| Commercial | $ 12,145,363 | $ - | $ - | $ - | $ - | $ 12,145,363 |
| Commercial real estate | 74,760,712 | - | - | - | - | 74,760,712 |
| Consumer | 66,294 | - | - | - | - | 66,294 |
| Credit card | 53,167 | - | - | - | - | 53,167 |
| Residential real estate | 87,840,219 | 530,677 | - | 18,846,400 | 19,377,077 | 107,217,296 |
| Total | $ 174,865,755 | $ 530,677 | $ - | $ 18,846,400 | $ 19,377,077 | $ 194,242,832 |

Included in the residential real estate loans past due over 90 days are $14,568,065 and $17,059,758 at December 31, 2022 and 2021, respectively, of delinquent residential loans that the Company has the option to buy back as further discussed in Note 1. The principal balances of these loans are fully guaranteed by GNMA.

| December 31, 2022 | 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 | - | - |
| Consumer | - | - |
| Credit card | - | - |
| Residential real estate | 1,500,219 | 14,568,065 |
| Total | $ 1,500,219 | $ 14,568,065 |

**NOTE 4 – LOANS AND FINANCINGS, NET** (Continued)

| | Accrual Status | |
|---|---|---|
| December 31, 2021 | 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 | - | 18,846,400 |
| Total | $ - | $ 18,846,400 |

At December 31, 2022 and 2021, the Company also had $150,704 and $366,200, respectively, of loans and financings held for sale or assignment that were on nonaccrual status.

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

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

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

## NOTE 4 – LOANS AND FINANCINGS, NET (Continued)

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

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

Information pertaining to the credit risk of loans and financings at December 31, aggregated by risk category and class of loans and financings is as follows:

| | 2022 | | |
|---|---|---|---|
| | Commercial Real Estate | Commercial | Total |
| Grade | | | |
| Pass | $ 93,057,364 | $ 6,716,861 | $ 99,774,225 |
| Classified - performing | - | - | - |
| Classified - nonperforming | - | - | - |
| Doubtful | - | - | - |
| Loss | - | - | - |
| Total | $ 93,057,364 | $ 6,716,861 | $ 99,774,225 |
| | Residential Real Estate | Consumer/ Credit Card | Total |
| Grade | | | |
| Performing | $ 453,231,362 | $ 1,681,031 | $ 454,912,393 |
| Substandard | 2,819,232 | - | 2,819,232 |
| Total | $ 456,050,594 | $ 1,681,031 | $ 457,731,625 |

## NOTE 4 – LOANS AND FINANCINGS, NET (Continued)

| | 2021 | | |
|---|---|---|---|
| | Commercial Real Estate | Commercial | Total |
| Grade | | | |
| Pass | $ 74,760,712 | $ 12,145,363 | $ 86,906,075 |
| Classified - performing | - | - | - |
| Classified - nonperforming | - | - | - |
| Doubtful | - | - | - |
| Loss | - | - | - |
| Total | $ 74,760,712 | $ 12,145,363 | $ 86,906,075 |

| | Residential Real Estate | Consumer/ Credit Card | Total |
|---|---|---|---|
| Grade | | | |
| Performing | $ 104,339,497 | $ 119,461 | $ 104,458,958 |
| Substandard | 2,877,799 | - | 2,877,799 |
| Total | $ 107,217,296 | $ 119,461 | $ 107,336,757 |

## NOTE 5 – MORTGAGE BANKING ACTIVITIES

University Bank provides sub-servicing of real estate mortgage loans for almost 400 financial institutions. The unpaid principal balance of these loans was approximately $31.1 billion and $34.1 billion as of December 31, 2022 and 2021, 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, Arbor Street, and UIF sell residential mortgage loans and financings to the secondary market with servicing rights retained for selected loans and financings. These loans and financings are owned by other institutions and are not included in the Company's consolidated balance sheets, but the associated MSRs are included in the accompanying consolidated financial statements. Such mortgage loans and financings have been sold or assigned generally without recourse or with limited recourse. The unpaid principal balance of these loans and financings was $3.2 billion and $4.3 billion at December 31, 2022 and 2021, respectively.

Custodial escrow balances maintained in connection with these loans and financings were approximately $437 million and $684 million, of which approximately $88 million and $354 million were held at other banks and were not included in the accompanying consolidated financial statements at December 31, 2022 and 2021, respectively.

**NOTE 5 – MORTGAGE BANKING ACTIVITIES** (Continued)

The following summarizes the activity relating to MSR's:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Balance, January 1 | $ 35,941,257 | $ 16,905,676 |
| Amount capitalized | 9,009,206 | 13,892,751 |
| Reductions from sales | (19,453,044) | - |
| Change in fair value due to: | | |
| Pay-offs and pay-downs | (3,380,636) | (4,645,127) |
| Changes in estimates | 10,854,047 | 9,787,957 |
| Balance, December 31 | $ 32,970,830 | $ 35,941,257 |

During the year ended December 31, 2022, the Company sold MSRs for $19,453,044, of which $17,538,082 was received in 2022, and $1,914,962 was recorded in accounts receivable in the December 31, 2022, consolidated balance sheet and is expected to be received in early 2023.

The Company enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans and financings within specified times in the future. As of December 31, 2022 and 2021, IRLCs amounted to approximately $36.7 million and $121.5 million, respectively, of which management estimated approximately $31.7 million and $102.1 million, respectively, to eventually close and be funded. These IRLCs were recorded in assets in the consolidated balance sheets at a fair value of $664,454 and $2,983,702 as of December 31, 2022 and 2021, respectively.

The Company also utilizes forward loan and financing sales commitments in order to economically hedge the risk of potential changes in the value of the loans and financings that would result from the IRLCs. Forward sales commitments to fund loans and financings at specified rates amounted to approximately $102.8 million and $191.7 million as of December 31, 2022 and 2021, respectively. These forward commitments were recorded in the consolidated balance sheet at a fair value in assets of $904,375 as of December 31, 2022 and in liabilities of $142,529 as of December 31, 2021.

The net change in fair value of the IRLCs and the related forward loan and financing sales commitments held at December 31, 2022 and 2021 resulted in a loss of $1,272,344 and $3,817,289, respectively, which have been recognized in the noninterest income section in the consolidated statements of operations. These gains and losses are due principally to the inclusion of day one gains/losses associated with the adoption of fair value accounting as discussed in Note 25. 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.

**NOTE 5 – MORTGAGE BANKING ACTIVITIES** (Continued)

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 25 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, | |
|---|---|---|
| | 2022 | 2021 |
| Land | $ 1,043,400 | $ 1,043,400 |
| Buildings and improvements | 7,208,074 | 6,929,879 |
| Furniture, fixtures, equipment and software | 15,132,812 | 13,585,372 |
| Construction in process | 68,500 | 1,175,644 |
| | 23,452,786 | 22,734,295 |
| Less accumulated depreciation and amortization | (14,521,650) | (12,717,206) |
| Premises and equipment, net | $ 8,931,136 | $ 10,017,089 |

Depreciation and amortization expense related to premises and equipment amounted to $1,833,168 and $1,838,220 for the years ended December 31, 2022 and 2021, respectively.

### Leases

The Company leases office space for its operations under operating leases. Several leases have an option to renew at the Company's discretion for an additional term. Only lease options that the Company believes are reasonably certain to be exercised are included in the measurement of lease assets and liabilities. The Company's present leases have a weighted average remaining term of 7.8 years.

## NOTE 6 – PREMISES AND EQUIPMENT, NET (Continued)

**Leases** (Continued)

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

| Years ending December 31, | Amount |
|---|---|
| 2023 | $ 824,514 |
| 2024 | 548,754 |
| 2025 | 387,162 |
| 2026 | 294,255 |
| 2027 | 280,260 |
| Thereafter | 1,471,365 |
| Total minimum future payments | 3,806,310 |
| Less: Imputed interest | (743,175) |
| Present value of operating lease liabilities | $ 3,063,135 |

The weighted average discount rate used to calculate the present value of future lease payments was 5.5%. Operating lease expense for the years ended December 31, 2022 and 2021 totaled $1,401,560 and $1,540,943, respectively. These operating lease expense amounts include short-term and variable lease expense.

## NOTE 7 – GOODWILL

The following table summarizes goodwill by reporting unit:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Midwest | $ 103,914 | $ 103,914 |
| AAIC | 319,067 | 319,067 |
| | $ 422,981 | $ 422,981 |

## NOTE 8 – CUSTOMER RELATIONSHIPS, NET

During 2020, the Company acquired customer relationships of $620,691 as part of the acquisition of a local insurance agency. These customer relationships are being amortized on a straight-line basis over their estimated economic lives, which were determined to be 10 years. Amortization expense amounted to $62,068 for each of the years ended December 31, 2022 and 2021, respectively. The carrying value of customer relationships totaled $444,829 and $506,898 at December 31, 2022 and 2021, respectively.

## NOTE 9 – TIME DEPOSITS

Non-brokered time deposit liabilities issued in denominations of $250,000 or more were $1,066,646 and $628,338 at December 31, 2022 and 2021, respectively.

At December 31, 2022, stated maturities of time deposits were:

| Years ending December 31, | Non-brokered time | Brokered time |
|---|---|---|
| 2023 | $ 2,359,713 | $ 112,276,000 |
| 2024 | 401,861 | - |
| 2025 | 390,835 | 20,000,000 |
| 2026 | 104,905 | 45,217,000 |
| 2027 and thereafter | 320,799 | 65,000,000 |
| | $ 3,578,113 | $ 242,493,000 |

## NOTE 10 – DEFERRED COMPENSATION

The Company had a deferred compensation agreement (the “Agreement”) with one of its key employees that provided this employee with a phantom interest in the net income of ULG based on years of service. During 2022 the Agreement was dissolved. In relation to the Agreement, the Company recognized compensation expense of $4,257 and $1,562,639 during the years ended December 31, 2022 and 2021, respectively, and had remaining unpaid accrued deferred compensation of $4,246,666 and $4,242,409 as of December 31, 2022 and 2021, respectively. This accrued deferred compensation is included in “Accrued expenses and other liabilities” in the consolidated balance sheets. The Company expects to pay the liability in 2023 and 2024.

## NOTE 11 – CONTINGENT CONSIDERATION LIABILITY

The Company has a contingent consideration agreement as part of a 2019 acquisition, which could require the Company to pay the former owner annually through 2025 if certain loan production thresholds are met. The fair value of the contingent consideration liability related to the acquisition was $-0- and $404,530 as of December 31, 2022 and 2021, respectively. Contingent consideration payments were made during the years ended December 31, 2022 and 2021 totaling $272,336 and $390,226, respectively.

## NOTE 12 – INCOME TAXES

Income tax expense (benefit) is summarized as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 4,123,981 | $ 5,098,032 |
| Deferred | (3,004,934) | 2,883,172 |
| Income tax expense, net | $ 1,119,047 | $ 7,981,204 |

The effective tax rate varies from the current U.S. federal statutory income tax rate of 21% primarily due to state income taxes as well certain expenses that are not deductible for tax reporting purposes.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deferred income tax assets: | | |
| Allowance for loan and financing losses and recourse liabilities | $ 755,217 | $ 803,373 |
| Equity securities | 189,205 | - |
| Accrued liabilities | 343,781 | - |
| Contingent consideration liability | - | 88,997 |
| Other | 80,898 | 113,944 |
| | 1,369,101 | 1,006,314 |
| Deferred income tax liabilities: | | |
| Mortgage and financing servicing rights | (7,253,583) | (7,907,077) |
| Derivatives and LHFS | (214,968) | (2,035,748) |
| Premises and equipment | (811,255) | (864,808) |
| Equity securities | - | (115,299) |
| Other | (3,478) | (2,499) |
| | (8,283,284) | (10,925,431) |
| Net deferred tax liability | $ (6,914,183) | $ (9,919,117) |

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before calendar year 2019.

## NOTE 13 – CONVERTIBLE PREFERRED STOCK

The Company had 24,000 shares of convertible preferred stock outstanding at December 31, 2022 and 2021. During the year ended December 31, 2021, the Company repurchased 26,000 shares of convertible preferred stock for $3,900,000.

The Company's preferred stock has a liquidation preference over its common stock. The shares have a $100 per share liquidation value, on which cumulative dividends accrue at 6% per annum, payable quarterly. When the tangible book value of the Company, as defined in the preferred stock certificate of designation, reaches at least seven times the value of the liquidation value of preferred shares, the 6% preferred dividends become noncumulative and are paid quarterly only if declared by the Company's Board of Directors. The Company can't declare or pay dividends to any other classes of stock until the cumulative preferred dividends are paid, along with any noncumulative preferred dividends declared.

During the year ended December 31, 2021, the Company entered into an amendment to the preferred stock certificate of designation. Under this amendment, the remaining 24,000 outstanding convertible preferred shares shall participate with the holders of common stock, if common stock dividends are declared in an amount over two percent of the market value on an annual basis, on a pro rata basis applying the then-applicable conversion rate to each share of preferred stock, as defined in the amendment.

During the years ended December 31, 2022 and 2021, preferred dividends of $-0- and $381,034, respectively, were paid out. As of December 31, 2022 and 2021, $270,972 and $102,012, respectively of the preferred dividends are accrued in the consolidated balance sheet.

Each share of preferred stock can be converted into common stock initially at a rate of $10 preferred stock liquidation value per common share. The conversion price is subject to certain antidilution provisions as defined in the stock certificate designation. Beginning December 20, 2023, the Company may cause some or all of the preferred stock to be converted into common stock at the then prevailing conversion price, if the closing price of the Company's common stock exceeds 130% of the then applicable conversion price for twenty out of thirty consecutive trading days. The holder is also prevented from exercising the conversion right if, after the conversion, it results in the holder owning more than one third of the Company's outstanding equity.

## NOTE 14 – TREASURY STOCK

During the year ended December 31, 2020, the Company repurchased 441,381 common shares at an aggregate cost of $3,994,498. These treasury stock shares are recorded at cost in the consolidated statement of equity. The Company reissued 40,000 and 124,000 shares out of treasury during the years ended December 31, 2022 and 2021, respectively, upon the exercise of certain stock options.

## NOTE 15 – STOCK OPTIONS

The Company sometimes issues stock options to directors of the Company in lieu of board fees paid in cash. 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, 2021 | 164,000 | $ 7.00 | |
| Granted | - | $ - | |
| Exercised | (124,000) | $ 7.00 | |
| Expired or forfeited | - | $ - | |
| Outstanding at December 31, 2021 | 40,000 | $ 7.00 | |
| Granted | - | $ - | |
| Exercised | (40,000) | $ 7.00 | |
| Expired or forfeited | - | $ - | |
| Outstanding at December 31, 2022 | - | $ - | - |

| | Nonvested Options | Weighted Average Grant Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2021 | 101,000 | $ 2.00 |
| Granted | - | $ - |
| Vested | (101,000) | $ 2.00 |
| Expired or forfeited | - | $ - |
| Nonvested at December 31, 2021 | - | $ - |
| Granted | - | $ - |
| Vested | - | $ - |
| Expired or forfeited | - | $ - |
| Nonvested at December 31, 2022 | - | $ - |

During the years ended December 31, 2022 and 2021, the Company received cash of $280,000 and $868,000, respectively, related to the exercise of options. As of the exercise dates, the intrinsic value of the options exercised in 2022 and 2021 was approximately $422,400 and $1,073,000, respectively.

**NOTE 15 – STOCK OPTIONS** (Continued)

The Company recognizes compensation cost relating to share-based payment transactions in the consolidated financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. The fair value of the Company's options was determined pursuant to the Black-Scholes model at the date of issuance. As the options vest, the Company recognizes compensation expense in earnings. During 2021, the Board of Directors accelerated the vesting of all stock options. As a result, during the year ended December 31, 2021, 101,000 shares vested, and the Company recorded share-based compensation expense of $193,324 in the consolidated statements of operations and comprehensive income.

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 Company accounts for any forfeitures of options when they occur.

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

**NOTE 16 – NONCONTROLLING INTEREST**

Included in the consolidated financial statements are the results for UIF. The Bank owns 80% of the common stock of UIF. An outside investor owns the remaining 20%. At December 31, 2022 and 2021, total equity of UIF was $46,188,813 and $44,071,448, respectively. The noncontrolling interest at December 31, 2022 and 2021 was $9,237,764 and $8,814,291, respectively.

## NOTE 17 – EARNINGS PER SHARE

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

| | Years ended December 31, 2022 | Years ended December 31, 2021 |
|---|---|---|
| **Basic earnings per share** | | |
| Net income attributable to stockholders | $ 3,789,400 | $ 25,319,795 |
| Less: cumulative dividends on preferred stock | (168,960) | (258,046) |
| Less: consideration paid for preferred stock in excess of carrying value | - | (1,430,000) |
| Net income attributable to common stockholders | $ 3,620,440 | $ 23,631,749 |
| Weighted-average common shares outstanding | 4,919,463 | 4,820,816 |
| Basic earnings per share | $ 0.74 | $ 4.90 |
| **Diluted earnings per share** | | |
| Net income attributable to common stockholders - diluted | $ 3,620,440 | $ 23,631,749 |
| Weighted-average common shares outstanding - basic | 4,919,463 | 4,820,816 |
| Dilutive effect of stock options | 17,571 | 65,715 |
| Weighted-average common shares outstanding - diluted | 4,937,034 | 4,886,531 |
| Diluted earnings per share | $ 0.73 | $ 4.84 |

## NOTE 18 – 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, 2022 and 2021 totaled $1,439,122 and $1,440,203, respectively.

**NOTE 18 – EMPLOYEE STOCK OWNERSHIP AND RETIREMENT SAVINGS PLAN** (Continued)

The Company may also make discretionary contributions to the employee stock ownership component (the "ESOP Component"). A participant's share in the Company's ESOP contribution is based on his or her current compensation as a percentage of total employee compensation. Upon retirement from the Company, participants can receive distributions of their allocated shares of the Company's stock. During the years ended December 31, 2022 and 2021, the Company had compensation expense related to ESOP contributions of $-0- and $1,537,773, respectively. All amounts have been funded or accrued at each respective balance sheet date.

The annual contribution to the ESOP is at the discretion of the Board of Directors. Assets of the ESOP include 239,003 and 221,003 shares of the Company's stock at December 31, 2022 and 2021, respectively, all of which were fully allocated. The shares of the ESOP are held in trust and were valued at $4,048,711 and $4,983,618 at December 31, 2022 and 2021, respectively.

## NOTE 19 – 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.

The following is a summary of commitments:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Unused lines of credit | $ 23,346,229 | $ 22,681,885 |
| Commitment to fund residential loans | 42,403,780 | 100,219,940 |
| Commitment to fund commercial loans | 5,596,900 | 7,640,687 |
| Unused credit card limits | 174,159 | 44,509 |
| Unused home equity lines of credit | 43,177,301 | 19,859,429 |
| Unused commitments for residential construction | 23,819,716 | 24,227,265 |
| | $ 138,518,085 | $ 174,673,715 |

## NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued)

### Contingencies

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

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

## NOTE 20 – RELATED PARTY TRANSACTIONS

Available lines of credit to directors, officers and their affiliates at both December 31, 2022 and 2021 amounted to $70,000, of which $16,005 and $6,583 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, 2022 and 2021.

The Bank had demand deposits of $1,558,644 and $2,406,877 from directors, officers and their affiliates as of December 31, 2022 and 2021, respectively. The Bank also holds demand deposits from various employees in the normal course of business.

## NOTE 21 – LINES OF CREDIT

The Bank has a line of credit available from the FHLB. The limit on this line is $9,000,000 and $-0- as of December 31, 2022 and 2021, respectively. The line is secured by the pledge of specific mortgage loans held for investment along with FHLB stock and certain investment securities. At both December 31, 2022 and 2021, the Bank's outstanding balance on the line was $-0-. This line matures in May 2023.

During 2022, the Parent entered into a $10,000,000 line of credit with a bank. Interest on the line is due quarterly at the prime rate, with a floor of 3.25% and a ceiling of 6.25%. The Parent may borrow on this line through October 2024, on which date the line converts to a term note with payments due quarterly based on 120 month amortization, with a balloon payment due at maturity in October 2025. This line is secured by certain assets, including a life insurance policy and all outstanding shares of common stock of University Bank. At December 31, 2022 there was no outstanding balance on this line. The line is subject to certain restrictive financial covenants.

The Company also has a $1,000,000 revolving warehouse line of credit with a bank so that UIF could meet a state licensing requirement. The Company does not intend to draw on this line. Interest on this line is at the greater of the prime rate or 5%. This line is secured by financings and matures in August 2023. At both December 31, 2022 and 2021, there was no outstanding balance on this line of credit.

## NOTE 22 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

### FHLB Advances

In addition to the FHLB line of credit discussed in Note 21, the Company regularly borrows money from the FHLB on a short-term basis. At December 31, 2022, the Company could take advances up to approximately $98,600,000. At December 31, 2022 and 2021, the Company had amounts due to the FHLB for short-term advances totaling $50,000,000 and $-0-, respectively. The outstanding advances at December 31, 2022 bore interest at 4.28% per annum. The Company had additional borrowing capacity under this FHLB advance line of approximately $48,600,000 as of December 31, 2022, which was based on qualified collateral, as determined by the FHLB.

### Subordinated Notes

In December 2022, the Parent issued $14,500,000 of subordinated debt (the "Notes") with a maturity date of January 31, 2033. The Notes bear interest at 8.25% through January 31, 2028, and at a variable rate tied to SOFR thereafter until maturity. Principal is due at maturity, and interest is due semi-annually. The Company has the option to redeem all or a part of the Notes beginning on January 31, 2028, or earlier in the event of a Tier 2 Capital Event, Tax Event, or Investment Company Event, as defined in the Notes. In conjunction with the issuance of the Notes, the Company incurred $374,464 in debt issuance costs which is amortized to interest expense over the term of the Notes. As a result, the carrying value of the Notes amounted to $14,125,536 in the consolidated balance sheet at December 31, 2022.

### Mortgage Payable

When 2621 Carpenter Road, LLC purchased the building located at 2755 Carpenter Road in Ann Arbor, Michigan in 2017, the Company assumed the mortgage held by the seller. The mortgage was payable in monthly installments of $10,198, including interest at 5.48%.  The mortgage was due October 2022 and was paid in full. The mortgage balance at December 31, 2022 and 2021 was $-0- and $1,534,148, respectively.

## NOTE 23 – 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 $2,913,000 and $12,419,000 during the years ended December 31, 2022 and 2021, respectively. University Bancorp, Inc. declared common stock dividends totaling $2,218,283 and $1,814,970 during the years ended December 31, 2022 and 2021, respectively.

**NOTE 23 – 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 Economic Growth, Regulatory Relief, and Consumer Protection Act was passed in 2018. Included among the provisions was the Community Bank Leverage Ratio (“CBLR”), a special alternative capital framework available only to banks holding less than $10 billion in assets. On April 6, 2020, the federal banking regulators issued interim rules which modified the CBLR framework so that: (i) beginning in the second quarter 2020 through the end of 2020, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework; and (ii) community banking organizations had until January 1, 2022, before the CBLR requirement was reestablished at greater than 9%. Under the interim rules, the minimum CBLR was 8% beginning in the second quarter and for the remainder of calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. The interim rules also maintain a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 1% below the applicable community bank leverage ratio.

The Bank has opted into the CBLR framework. At December 31, 2022 and 2021, the Bank's CBLR ratio was 10.30% and 10.29%, respectively, which exceeded the regulatory capital requirements under the CBLR framework and the Bank was considered to be ‘‘well-capitalized”. Federal law requires each federal banking agency to take prompt corrective action to resolve the problems of insured financial institutions, including but not limited to those that fall below one or more of the prescribed minimum capital ratios. As discussed above, a qualifying community banking organization, such as the Bank, that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the prompt corrective action regulations and will not be required to report or calculate risk-based capital.

## NOTE 24 – OTHER CAPITAL REQUIREMENTS

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

The Bank's, Arbor Street'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, 2022: | | |
| Bank | | |
| HUD | $ 71,360,405 | $ 2,500,000 |
| FHLMC | $ 81,382,435 | $ 4,138,723 |
| FNMA | $ 81,382,435 | $ 3,272,544 |
| GNMA | $ 81,320,050 | $ 6,303,895 |
| Arbor Street | | |
| HUD | $ 5,959,404 | $ 1,395,890 |
| FHLMC | $ 7,886,508 | $ 2,505,322 |
| FNMA | $ 7,886,508 | $ 2,748,768 |
| UIF | | |
| FHLMC | $ 43,323,338 | $ 5,928,200 |
| FNMA | $ 43,323,338 | $ 3,943,592 |

## NOTE 24 – OTHER CAPITAL REQUIREMENTS (Continued)

| | Actual Capital | Minimum Capital |
|---|---|---|
| As of December 31, 2021: | | |
| Bank | | |
| HUD | $ 55,425,494 | $ 1,000,000 |
| FHLMC | $ 64,064,704 | $ 4,920,235 |
| FNMA | $ 64,064,704 | $ 4,440,947 |
| GNMA | $ 61,753,914 | $ 2,500,000 |
| Arbor Street | | |
| HUD | $ 5,831,008 | $ 2,500,000 |
| FHLMC | $ 8,792,530 | $ 2,506,035 |
| FNMA | $ 8,792,530 | $ 2,801,746 |
| GNMA | $ 5,831,008 | $ 5,573,034 |
| UIF | | |
| FHLMC | $ 42,992,447 | $ 5,472,947 |
| FNMA | $ 42,992,447 | $ 3,477,652 |

As of December 31, 2022 and 2021, the Bank, Arbor Street, 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 25 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

## NOTE 25 – FAIR VALUE MEASUREMENTS (Continued)

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

*Investment Securities*

The fair value of the securities represents the amount the Company would realize upon sale of the securities currently in the portfolio. The Company receives current fair values of its marketable debt securities from The Federal Home Loan Bank on a monthly basis as part of its collateral positions. These marketable debt securities are Level 2 assets in the valuation hierarchy. The Company determines the fair value of its marketable equity securities using quoted prices in active markets. Hence, these marketable equity securities are Level 1 assets in the valuation hierarchy. The Company determines the fair value of its non-marketable equity securities using a price-based methodology, which utilizes, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued, along with quantitative assessments of the fair value of securities using various valuation methodologies and involves the use of estimates. Hence, these marketable equity securities are Level 3 assets in the valuation hierarchy.

*Loans and Financings Held for Sale or Assignment*

The Company elected to account for certain loans and financings held for sale or assignment at fair value. These loans and financings held for sale or assignment are recorded at fair value based on quoted market prices, where available, or are determined by discounting cash flows using interest rates approximating the Company's current origination rates for similar loans and financings and adjusted to reflect the inherent credit risk. In most situations, these loans and financings are locked into buckets to be sold under forward loan and financing sales commitments (as discussed below), in which case the fair value of these loans and financings held for sale or assignment are approximated by the value to be received soon thereafter under the forward sales commitments. Loans and financings held for sale or assignment are Level 2 assets in the valuation hierarchy. Net changes in the fair value of the Company's loans and financings held for sale or assignment are included in earnings. The net change in fair value of loans and financings held for sale or assignment at December 31, 2022 and 2021 was a loss of $591,705 and a gain of $6,412,227, respectively, which is included in the noninterest income section in the consolidated statements of operations.

**NOTE 25 – FAIR VALUE MEASUREMENTS** (Continued)

*MSRs*

The fair value of MSRs represents the amount that the Company would receive upon the sale of the MSRs. The Company receives an independent valuation of its MSRs on a quarterly basis. The fair value of MSRs is determined by projecting cash flows which are then discounted to estimate an expected fair value. The fair value of MSRs is impacted by a variety of quantitative factors (including a range of the assumptions used): expected servicing life (3.2-4.2 years), discount rates (9%-13%), float rate (1.5%), servicing costs ($76-$100), and underlying observable portfolio characteristics. Because many of these inputs are not transparent in market trades, MSRs are Level 3 assets in the valuation hierarchy.

*Derivatives – IRLCs and Forward Commitments*

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

Also, the fair value of these commitments is derived from the fair value of the related mortgage loans or financings. Unobservable quantitative factors used in the valuation of IRLCs include the following (including a range of the assumptions used): pull-through rates (63%-99%). Because some inputs are not transparent in market trades, IRLCs are Level 3 assets or liabilities in the valuation hierarchy. Changes in the fair value of the IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised, and the passage of time. Changes from the expected future cash flows related to the customer relationship or loan or financing servicing are excluded from the valuation of IRLCs.

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

**NOTE 25 – 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 real estate is estimated by considering appraisals, which are updated on a periodic basis to reflect current housing market conditions.

*Contingent Consideration Liability*

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

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021, 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, 2022 | | | |
| Assets: | | | |
| Investment securities | $ 9,522,489 | $ 61,507 | |
| Loans and financings held for sale or assignment | | $ 64,776,830 | |
| Mortgage and financing servicing rights | | | $ 32,970,830 |
| Interest and financing rate lock commitments | | | $ 664,454 |
| Forward sales commitments | | | $ 904,375 |
| Liabilities: | | | |
| Contingent consideration | | | $ - |

**NOTE 25 – FAIR VALUE MEASUREMENTS** (Continued)

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| December 31, 2021 | | | |
| Assets: | | | |
| Investment securities | $ 3,862,260 | $ 293,958 | |
| Loans and financings held for sale or assignment | | $ 137,214,609 | |
| Mortgage and financing servicing rights | | | $ 35,941,257 |
| Interest and financing rate lock commitments | | | $ 2,983,702 |
| Liabilities: | | | |
| Forward sales commitments | | | $ 142,529 |
| Contingent consideration | | | $ 404,530 |

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 | Contingent Consideration Liability |
|---|---|---|---|---|
| Fair value at January 1, 2021 | $ 16,905,676 | $ 8,075,434 | $ (1,416,972) | $ (681,742) |
| Purchases, sales, issuances, settlements, net | 13,892,751 | (8,075,434) | 1,416,972 | 390,226 |
| Net gains (losses) | 5,142,830 | 2,983,702 | (142,529) | (113,014) |
| Fair value December 31, 2021 | 35,941,257 | 2,983,702 | (142,529) | (404,530) |
| Purchases, sales, issuances, settlements, net | (10,443,838) | (2,983,702) | 142,529 | 272,336 |
| Net gains (losses) | 7,473,411 | 664,454 | 904,375 | 132,194 |
| Fair value December 31, 2022 | $ 32,970,830 | $ 664,454 | $ 904,375 | $ - |

There were no assets or liabilities valued on a nonrecurring basis during the years ended December 31, 2022 and 2021.

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

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

## NOTE 25 – FAIR VALUE MEASUREMENTS (Continued)

*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.

*Time Deposits*

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

*Subordinated Debt*

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

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

| | December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Significant financial assets: | | | | |
| Securities, at amortized cost | $ 11,527 | $ 10,441 | $ 6,089 | $ 6,038 |
| Non-marketable equity securities | 1,093 | 1,093 | - | - |
| Loans and financings held for sale or assignment, at lower of cost or fair value | - | - | 674 | 727 |
| Loans and financings, net | 553,889 | 533,367 | 190,462 | 193,897 |
| Significant financial liabilities: | | | | |
| Deposits: | | | | |
| Time | 246,071 | 242,042 | 2,012 | 2,046 |
| Subordinated debt | 14,500 | 14,500 | - | - |

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

## NOTE 26 – SEGMENT REPORTING

The Company's operations include five primary segments: The Bank (community banking and servicing), ULG (mortgage banking), UIF (faith-based lending), Arbor Street, and the holding company, as further discussed in Note 1. The Company's five reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, the Bank, ULG, UIF, and Arbor Street each service a different customer base.

The segment financial information provided below has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on profit or loss before income taxes, not including nonrecurring gains and losses. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. The Company accounts for transactions between segments at current market prices.

Information about reportable segments as of and for the years ended December 31, 2022 and 2021 is as follows (in thousands):

**2022**

| | The Bank | ULG | UIF | Arbor Street | Holding Company | Total |
|---|---|---|---|---|---|---|
| Net interest and financing income | $ 15,849 | $ 679 | $ 3,496 | $ 375 | $ 15 | $ 20,414 |
| Loan and financing servicing and sub-servicing fees | 13,825 | 5,502 | 4,667 | 457 | - | 24,451 |
| Originations and other fees | 5,116 | 3,044 | 1,981 | 219 | - | 10,360 |
| Gain on sale of mortgage loans, net, and fee income for assignment of financings | (5,191) | 19,950 | 14,007 | 986 | - | 29,752 |
| Other income (expense) | 3,090 | 4,457 | 959 | 112 | (1,346) | 7,272 |
| Provision for loan losses | 177 | 261 | (482) | 77 | - | 33 |
| Depreciation and amortization | (1,538) | (136) | (116) | (105) | - | (1,895) |
| Other operating expenses | (27,445) | (32,956) | (21,660) | (2,940) | (54) | (85,055) |
| Income (loss) before income taxes | 3,883 | 801 | 2,852 | (819) | (1,385) | 5,332 |
| Income tax expense (benefit) | 815 | 168 | 599 | (172) | (291) | 1,119 |
| Net income (loss) | $ 3,068 | $ 633 | $ 2,253 | $ (647) | $ (1,094) | $ 4,213 |
| Intersegment revenue | $ 6,763 | $ (2,639) | $ (4,124) | $ - | $ - | $ - |
| Segment assets | $ 345,097 | $ 107,048 | $ 309,784 | $ 12,533 | $ 19,773 | $ 794,235 |
| Capital expenditures | $ 651 | $ 91 | $ 5 | $ - | $ - | $ 747 |

## NOTE 26 – SEGMENT REPORTING (Continued)

| 2021 | The Bank | ULG | UIF | Arbor Street | Holding Company | Total |
|---|---|---|---|---|---|---|
| Net interest and financing income | $ 8,604 | $ 463 | $ 2,031 | $ 911 | $ 9 | $ 12,018 |
| Loan and financing servicing and sub-servicing fees | 14,313 | 4,714 | 3,703 | 647 | - | 23,377 |
| Originations and other fees | 6,600 | 4,945 | 3,070 | 240 | - | 14,855 |
| Gain on sale of mortgage loans, net, and fee income for assignment of financings | (1,917) | 40,246 | 31,907 | 1,758 | - | 71,994 |
| Other income (expense) | 2,461 | 5,830 | 1,979 | (75) | 583 | 10,778 |
| Provision for loan losses | 475 | (348) | 424 | (122) | - | 429 |
| Depreciation and amortization | (1,361) | (301) | (146) | (92) | - | (1,900) |
| Other operating expenses | (23,943) | (41,920) | (24,644) | (4,081) | (941) | (95,529) |
| Income (loss) before income taxes | 5,232 | 13,629 | 18,324 | (814) | (349) | 36,022 |
| Income tax expense (benefit) | 1,515 | 2,862 | 3,848 | (171) | (73) | 7,981 |
| Net income (loss) | $ 3,717 | $ 10,767 | $ 14,476 | $ (643) | $ (276) | $ 28,041 |
| Intersegment revenue | $ 4,335 | $ (2,573) | $ (1,762) | $ - | $ - | $ - |
| Segment assets | $ 176,573 | $ 146,568 | $ 141,697 | $ 21,320 | $ 14,226 | $ 500,384 |
| Capital expenditures | $ 2,635 | $ 132 | $ 30 | $ 167 | $ - | $ 2,964 |

## NOTE 27 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

### CONDENSED BALANCE SHEETS

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 8,628,430 | $ 10,364,461 |
| Investment securities, at amortized cost | 1,222,129 | - |
| Investment securities, at fair value | 9,522,489 | 3,862,260 |
| Investment in University Bank | 73,018,791 | 62,691,146 |
| Accounts receivable - University Bank | 303,437 | 303,437 |
| Other assets | 401,035 | - |
| Total assets | $ 93,096,311 | $ 77,221,304 |
| **LIABILITIES AND EQUITY** | | |
| Accounts payable and other liabilities | $ 287,250 | $ 217,262 |
| Subordinated debt | 14,125,536 | - |
| Total liabilities | 14,412,786 | 217,262 |
| Total equity | 78,683,525 | 77,004,042 |
| Total liabilities and equity | $ 93,096,311 | $ 77,221,304 |

## NOTE 27 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (Continued)

### CONDENSED STATEMENTS OF OPERATIONS

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **OTHER INCOME (LOSS)** | | |
| Interest and dividend income | $ 73,564 | $ 15,410 |
| Realized gain on sale of equity securities | 3,033 | 44,966 |
| Unrealized gain (loss) on equity securities | (1,384,106) | 531,034 |
| Other income (loss), net | (1,307,509) | 591,410 |
| **EXPENSES** | | |
| Interest expense | 22,816 | - |
| Compensation and director related | 18,000 | 675,799 |
| Professional fees | 35,974 | 46,352 |
| Share-based compensation | - | 193,324 |
| Other miscellaneous | - | 25,347 |
| Total expenses | 76,790 | 940,822 |
| Net loss before income taxes and net income of subsidiary | (1,384,299) | (349,412) |
| Income tax benefit | (430,380) | (170,921) |
| Net loss before net income of subsidiary | (953,919) | (178,491) |
| Net income of subsidiary | 4,743,319 | 25,498,286 |
| Net income | $ 3,789,400 | $ 25,319,795 |

## NOTE 27 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION
(Continued)

### CONDENSED STATEMENTS OF CASH FLOWS

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 3,789,400 | $ 25,319,795 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Unrealized loss (gain) on equity securities | 1,384,106 | (531,034) |
| Realized gain on sale of equity securities | (3,033) | (44,966) |
| Share-based compensation | - | 193,324 |
| Net change in: | | |
| Accounts receivable and other assets | (401,035) | (250,437) |
| Accounts payable and other liabilities | (98,972) | 64,682 |
| Net income of subsidiary | (4,743,319) | (25,498,286) |
| Net cash used in operating activities | (72,853) | (746,922) |
| **INVESTING ACTIVITIES** | | |
| Purchase of debt securities held-to-maturity | (1,222,129) | - |
| Purchase of equity securities | (7,091,872) | (3,239,872) |
| Proceeds from sale of equity securities | 50,570 | 99,383 |
| Investment in University Bank | (8,500,000) | - |
| Dividends received from University Bank | 2,913,000 | 12,419,000 |
| Net cash provided by (used in) investing activities | (13,850,431) | 9,278,511 |
| **FINANCING ACTIVITIES** | | |
| Payment of preferred dividends | - | (381,034) |
| Redemption of preferred shares | - | (3,900,000) |
| Exercise of stock options | 280,000 | 868,000 |
| Payment of common dividends | (2,218,283) | (2,533,548) |
| Proceeds from issuance of subordinated debt | 14,500,000 | - |
| Subordinated debt issuance costs | (374,464) | - |
| Net cash provided by (used in) financing activities | 12,187,253 | (5,946,582) |
| **NET CHANGE IN CASH** | (1,736,031) | 2,585,007 |
| **Cash and Cash Equivalents, Beginning of Year** | 10,364,461 | 7,779,454 |
| **Cash and Cash Equivalents, End of Year** | $ 8,628,430 | $ 10,364,461 |

## NOTE 28 – RECENT ACCOUNTING PRONOUNCEMENTS

### Recent Accounting Pronouncements – Not Yet Adopted

The following is a list of ASUs that have not yet been adopted which may impact the Company's significant accounting policies and/or have a significant financial impact:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company on January 1, 2023. Early adoption is permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

## NOTE 29 – SUBSEQUENT EVENTS

In early 2023, the Parent issued $13,500,000 of additional subordinated debt with the same terms as the subordinated debt discussed in Note 22.

# SUPPLEMENTARY INFORMATION

UHY LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of University Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

UHY LLP

Farmington Hills, Michigan
March 31, 2023

UHY LLP
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

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

## Report on Compliance for Each Major HUD Program

### Opinion on Each Major HUD Program

We have audited University Bank's (the "Bank's") compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of the Company's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2022. The Bank's major HUD program (GNMA) has direct and material compliance requirements governing federal financial reports, eligibility to issue mortgage-backed securities, review of custodial documents, issuer's administration of pooled mortgages, review of monthly accounting reports and quarterly submissions, securities marketing and trading practices, adjusted net worth, institution wide capital requirements, and liquid asset requirements.

In our opinion, the Bank complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2022.

### Basis for Opinion on Each Major HUD Program

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

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Other Matters**

We noted certain matters that we are required to report to management of the Bank in a separate written communication. These matters are described in our management letter dated March 31, 2023.

**Report on Internal Control Over Compliance**

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

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

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

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

UHY LLP

Farmington Hills, Michigan
March 31, 2023

## UNIVERSITY BANK
**COMPUTATION OF ADJUSTED NET WORTH TO DETERMINE COMPLIANCE WITH GINNIE MAE NET WORTH REQUIREMENTS**
**December 31, 2022**

| | |
|---|---|
| **Adjusted net worth calculation:** | |
| Stockholder's equity per statement of financial condition at end of reporting period | $ 82,250,246 |
| Less: | |
| Unacceptable assets | |
| Intangible assets | (867,810) |
| Other assets | (62,386) |
| Adjusted net worth | $ 81,320,050 |
| **Required net worth calculation:** | |
| Unpaid principal balance of securities outstanding (Note: number of pools = 458) | $ 946,733,403 |
| Plus: | |
| Outstanding balance of commitment authority issued and requested | 140,093,717 |
| Total outstanding portfolio and commitment authority | $ 1,086,827,120 |
| Required net worth | $ 6,303,895 |
| **Excess net worth:** | $ 75,016,155 |

# UNIVERSITY BANK
## COMPUTATION OF GINNIE MAE CAPITAL REQUIREMENT
## December 31, 2022

**Capital requirement for depository institutions:**

| | |
|---|---|
| Tier 1 capital | $ 70,672,000 |
| Total assets for the leverage ratio | $ 686,466,000 |
| Community bank leverage ratio | 10.30% |
| | **Yes/No** |
| Meets requirement? | Yes |

# UNIVERSITY BANK
**COMPUTATION OF GINNIE MAE LIQUID ASSET REQUIREMENT**
**December 31, 2022**

| | |
|---|---|
| Cash and cash equivalents | $ 83,735,698 |
| Total liquid assets | $ 83,735,698 |
| Total outstanding portfolio and commitment authority | $ 1,086,827,120 |
| Liquidity required (greater of $1,000,000 or .10% of securities) | $ 1,086,827 |
| Liquidity assets above (below) required minimum amount | $ 82,648,871 |

| | **Yes/No** |
|---|---|
| Meets requirement? | Yes |

**UNIVERSITY BANK**
**COMPUTATION OF GINNIE MAE INSURANCE REQUIREMENT**
**December 31, 2022**

**Identification of affiliated Ginnie Mae issuers:**

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

**Required insurance calculation:**

| | | |
|---|---|---|
| Servicing portfolio | | |
| Ginnie Mae | $ | 946,733,403 |
| Fannie Mae | | 886,591,035 |
| Freddie Mac | | 2,026,769,359 |
| Conventional (other) | | 476,320,633 |
| Total servicing portfolio | $ | 4,336,414,430 |
| Required fidelity bond coverage | $ | 4,861,414 |
| Required mortgage servicing errors and omissions coverage | $ | 4,861,414 |

**Verification of insurance coverage:**

| | | |
|---|---|---|
| Fidelity bond coverage at end of reporting period | $ | 20,000,000 |
| Mortgage servicing errors and omissions coverage at end of reporting period | $ | 20,000,000 |

**Excess (deficit) insurance coverage:**

| | | |
|---|---|---|
| Fidelity bond coverage | $ | 15,138,586 |
| Mortgage servicing errors and omissions coverage | $ | 15,138,586 |

| **Policies contain the required elements:** | **Yes/No** |
|---|---|
| Fidelity bond coverage | Yes |
| Mortgage servicing errors and omissions coverage | Yes |