

**UNIVERSITY OF WISCONSIN CREDIT UNION**



**FINANCIAL STATEMENTS**  
December 31, 2025 and 2024

UNIVERSITY OF WISCONSIN CREDIT UNION  
Madison, Wisconsin

FINANCIAL STATEMENTS  
December 31, 2025 and 2024

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## **Independent Auditor's Report**

To the Board of Directors  
University of Wisconsin Credit Union

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of University of Wisconsin Credit Union (the "Credit Union"), which comprise the statements of financial condition as of December 31, 2025 and 2024 and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Credit Union 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 Credit Union's ability to continue as a going concern within one year after the date that the financial statements are issued.

#### ***Auditor's Responsibilities for the Audits 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 audits 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.

To the Board of Directors  
University of Wisconsin Credit Union

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Credit Union'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 Credit Union'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2026 on our consideration of the Credit Union'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 Credit Union'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 Credit Union's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

March 11, 2026

UNIVERSITY OF WISCONSIN CREDIT UNION  
STATEMENTS OF FINANCIAL CONDITION  
December 31, 2025 and 2024  
(In thousands)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 391,539	\$ 556,139
Securities available-for-sale	851,032	605,505
Loans held for sale, at fair value	74,426	42,836
Loans to members, net	4,465,813	4,070,916
Federal Home Loan Bank stock, at cost	9,016	10,943
Accrued interest receivable	24,818	21,820
Premises and equipment, net	249,361	242,493
National Credit Union Share Insurance Fund deposit	47,720	43,490
Mortgage servicing rights	19,545	19,382
Member ACH advance receivable	121,175	-
Other assets	<u>41,423</u>	<u>39,620</u>
	<u>\$ 6,295,868</u>	<u>\$ 5,653,144</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities		
Members' deposits	\$ 5,485,704	\$ 4,861,832
Outstanding drafts payable	14,941	15,578
Federal Home Loan Bank advances	140,000	200,000
Accrued interest payable and other liabilities	<u>74,928</u>	<u>72,800</u>
	5,715,573	5,150,210
Members' equity		
Regular reserve	113,910	113,910
Undivided earnings	467,488	410,364
Accumulated other comprehensive loss	<u>(1,103)</u>	<u>(21,340)</u>
	<u>580,295</u>	<u>502,934</u>
	<u>\$ 6,295,868</u>	<u>\$ 5,653,144</u>

See accompanying notes to financial statements.

UNIVERSITY OF WISCONSIN CREDIT UNION  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
Years ended December 31, 2025 and 2024  
(In thousands)

	<u>2025</u>	<u>2024</u>
<b>Interest income</b>		
Loans	\$ 269,472	\$ 240,162
Securities and interest-earning deposits	<u>52,769</u>	<u>49,386</u>
	322,241	289,548
<b>Interest expense</b>		
Members' deposits	94,202	82,824
Borrowed funds	<u>8,355</u>	<u>12,734</u>
	<u>102,557</u>	<u>95,558</u>
<b>Net interest income</b>	219,684	193,990
Credit loss expense	<u>30,121</u>	<u>32,808</u>
<b>Net interest income after credit loss expense</b>	189,563	161,182
<b>Non-interest income</b>		
Service charges and fees	5,015	5,306
Net fees on loans	10,586	8,773
Card and ATM interchange	48,745	46,168
Net gain on sale of loans	9,825	7,667
Net gain on sale of premises and equipment	-	4,020
Other	<u>9,253</u>	<u>7,873</u>
	83,424	79,807
<b>Non-interest expense</b>		
Salaries and employee benefits	101,652	96,414
Office occupancy	16,299	15,432
Office operations	13,092	13,726
Loan and credit card processing	17,802	16,845
Credit card member rewards	17,460	15,419
Card program interchange and processing	8,418	8,050
Data processing	11,220	12,093
Professional services	3,530	4,875
Marketing and advertising	14,568	12,708
Net loss on sale of securities	2,266	5,342
Other	<u>9,556</u>	<u>8,258</u>
	<u>215,863</u>	<u>209,162</u>
<b>Net income</b>	57,124	31,827
Other comprehensive income (loss):		
Change in unrealized gain (loss) on securities	17,971	(4,731)
Reclassification adjustments for net losses recognized in income	<u>2,266</u>	<u>5,342</u>
Other comprehensive income	<u>20,237</u>	<u>611</u>
<b>Comprehensive income</b>	<u>\$ 77,361</u>	<u>\$ 32,438</u>

See accompanying notes to financial statements.

UNIVERSITY OF WISCONSIN CREDIT UNION  
 STATEMENTS OF CHANGES IN MEMBERS' EQUITY  
 Years ended December 31, 2025 and 2024  
 (In thousands)

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	<u>Regular Reserve</u>	<u>Undivided Earnings</u>	<u>Accumulated Other Compre- hensive Loss</u>	<u>Total Members' Equity</u>
Balance at January 1, 2024	\$ 113,910	\$ 378,537	\$ (21,951)	\$ 470,496
Net income	-	31,827	-	31,827
Other comprehensive income	<u>-</u>	<u>-</u>	<u>611</u>	<u>611</u>
Balance at December 31, 2024	113,910	410,364	(21,340)	502,934
Net income	-	57,124	-	57,124
Other comprehensive income	<u>-</u>	<u>-</u>	<u>20,237</u>	<u>20,237</u>
Balance at December 31, 2025	<u>\$ 113,910</u>	<u>\$ 467,488</u>	<u>\$ (1,103)</u>	<u>\$ 580,295</u>

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See accompanying notes to financial statements.

UNIVERSITY OF WISCONSIN CREDIT UNION  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2025 and 2024  
(In thousands)

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 57,124	\$ 31,827
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	14,823	15,337
Credit loss expense	30,121	32,808
Amortization of mortgage servicing rights	5,440	6,362
Net (accretion) amortization on securities	(1,189)	4,365
Net loss on sale of securities	2,266	5,342
Net gain on sale of loans	(9,825)	(7,667)
Net gain on sale of other real estate owned	(34)	-
Net loss (gain) on sale of premises and equipment	15	(4,020)
Proceeds from sale of loans held for sale	608,153	512,870
Origination of loans held for sale, net	(635,521)	(520,324)
Net change in:		
Accrued interest receivable	(2,998)	(1,536)
Member ACH advance receivable	(121,175)	-
Other assets	(3,798)	(2,318)
Outstanding drafts payable	(637)	(2,268)
Accrued interest payable and other liabilities	2,128	(15,284)
Net cash (used) provided by operating activities	<u>(55,107)</u>	<u>55,494</u>
<b>Cash flows from investing activities</b>		
Proceeds from maturities, calls, and paydowns of securities available-for-sale	207,990	190,559
Proceeds from maturities, calls, and paydowns of securities held to maturity	-	300,000
Proceeds from sale of securities available-for-sale	46,877	99,677
Purchases of securities available-for-sale	(479,935)	(319,448)
Proceeds from sale of other real estate owned	729	-
Proceeds from the sale of premises and equipment	9	14,157
Purchase of premises and equipment	(21,714)	(24,388)
Redemption (purchase) of Federal Home Bank stock	1,927	(4,943)
Net change in:		
Loans to members	(425,018)	(393,422)
NCUSIF deposit	(4,230)	(1,657)
Net cash used in investing activities	<u>(673,365)</u>	<u>(139,465)</u>
<b>Cash flows from financing activities</b>		
Net change in members' deposits	623,872	284,542
Advances from the Federal Reserve Bank	-	350,000
Advances from the FHLB	200,000	200,000
Repayment of the Federal Reserve Bank advances	-	(500,000)
Repayment of the FHLB advances	(260,000)	-
Net cash provided by financing activities	<u>563,872</u>	<u>334,542</u>
Net change in cash and cash equivalents	(164,600)	250,571
Cash and cash equivalents at beginning of year	<u>556,139</u>	<u>305,568</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 391,539</u>	<u>\$ 556,139</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 102,825	\$ 94,775
Loans transferred to other real estate owned	-	360

See accompanying notes to financial statements.

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations and Concentrations of Credit Risk: The Credit Union is a state-chartered, federally insured cooperative located in Madison, Wisconsin, with various branch locations to conveniently service its members in both the Madison and Milwaukee metropolitan areas and also in Green Bay, LaCrosse, Stevens Point, Oshkosh and Whitewater, Wisconsin. The Credit Union is organized under the laws of the state of Wisconsin for the purpose of promoting thrift among and creating a source of credit for its members. The Credit Union's primary services include accepting deposits and making loans. The Credit Union grants consumer (including credit card), education, mortgage, and home equity loans to its members. The majority of the loans are secured by collateral including autos and other types of vehicles, members' deposits, real estate, and other consumer assets. The Credit Union also grants member business loans secured by residential multifamily property. There are no significant concentrations of loans to any one industry or member. However, the members' ability to repay their loans is dependent on the general economic conditions in the area. The Credit Union primarily operates in the Madison and Milwaukee Wisconsin metro areas. Concentration in these markets in which the Credit Union does business represents a potential for significant impact should adverse economic events occur within this limited market.

Field of Membership: Any current or former employee of the University of Wisconsin System, Edgewood College or Madison Area Technical College (MATC), Madison, Wisconsin; any Wisconsin resident who is currently enrolled or has attended any accredited institution of higher education; any current or former employee of the Credit Union, or an affiliate of the University of Wisconsin System; or of the Wisconsin Interscholastic Athletic Association; persons residing, employed, enrolled in or attending school within a five-mile radius of the headquarters' office or any branch location; a public depositor; and any member of the immediate family of any other eligible person may become a member of the Credit Union in the manner provided in the bylaws. Any organization or association may become a member of the Credit Union if a majority of the directors, owners or members thereof are eligible for membership in the Credit Union. In addition, any organization or association that has a business location within the geographic areas described earlier in this paragraph is eligible for membership in the Credit Union. Furthermore, any trust may become a member of the Credit Union if a majority of the persons who are trustee(s) and beneficiary(ies) are eligible for membership in the Credit Union.

Subsequent Events: The Credit Union has evaluated subsequent events for recognition and disclosure, through March 11, 2026, which is the date the financial statements were available to be issued.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ from those estimates. The allowance for credit losses in particular is susceptible to significant change in the near term.

Cash and Cash Equivalents: Cash and cash equivalents include the Credit Union's cash on hand and balances on deposit in other institutions with original maturities of three months or less. The Credit Union reports net cash flows for member loan and share transactions, interest-bearing deposits in other financial institutions and the NCUSIF deposit. At December 31, 2025 and 2024, cash and cash equivalents include approximately \$358,153 and \$507,145 of deposits at the Federal Reserve Bank of Chicago, respectively.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities classified as available for sale are those debt securities that the Credit Union intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Credit Union's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available-for-sale are carried at fair value with unrealized holding gains or losses reported in other comprehensive income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. For premiums on callable debt securities, the premium is amortized against income over the period until the earlier of the first call date or maturity. Gains and losses on sales are recorded on the trade date and based on the amortized cost of the security sold.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

The Credit Union evaluates its available-for-sale (AFS) investment securities portfolio on an annual basis for indicators of credit impairment. The Credit Union assesses whether credit impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management starts with a qualitative analysis by reviewing the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. If there is insufficient evidence from the qualitative analysis that credit losses do not exist, the Credit Union uses a discounted cash flow analysis at the security level, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates. The credit portion of the impairment is recognized through an allowance in noninterest income while the noncredit portion is recognized in OCI. No allowance for credit losses has been recorded for available-sale investment securities.

Loans Held for Sale: Loans held for sale are recorded at fair value as of the statement of financial condition date. The fair value includes the servicing value of the loans as well as any accrued interest.

Mortgage loans held for sale are generally sold with servicing rights retained. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at the amount of unpaid principal, net of deferred loan origination costs, reduced by an allowance for credit losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is generally discontinued at the time the loan is 90 days delinquent. Credit card loans and other personal loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Since uncollectible interest is charged off in a timely manner, accrued interest receivable is not included in the amortized cost basis.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loan fees and direct loan-origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the level-yield method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

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

Management estimates the allowance for credit losses on loans with similar characteristics using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, gross domestic product, property values, or other relevant factors to quantify the impact of current and forecasted economic conditions on expected loan performance. The forecast period represents the time frame from the current period end through the point in time that we can reasonably forecast and support entity and environmental factors that are expected to impact the performance of our loan portfolio. Ideally, the economic forecast period would encompass the contractual terms of all loans; however, the ability to produce a forecast that is considered reasonable and supportable becomes more difficult or may not be possible in later periods. Subsequent to the end of the forecast period, we revert to historical loan data based on an ongoing evaluation of each economic forecast in relation to then current economic conditions as well as any developing loan loss activity and resulting historical data.

The remaining life methodology is used for the unsecured line of credit segment due to its relatively small size and short-term nature. The remaining life methodology applies an average loss rate to the segment balance over its remaining life. The Credit Union utilizes a discounted cashflow approach to determine the allowance for credit losses for all loan segments except the unsecured line of credit segment. The discounted sum of expected cashflows is compared to the amortized cost and any shortfall is recorded as reserve.

The Credit Union segments its loan portfolio into different categories when evaluating risk characteristics that could impact the Allowance for Credit losses. The following summarizes the risk characteristics that are relevant to each portfolio segment.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

**Real Estate Secured Loans:**

Residential real estate loans include loans to borrowers where the underlying collateral is the borrower's primary residence or multifamily rental real estate, including those in the construction phase. The repayment of residential mortgage loans depends on the individual borrower's capacity. A deterioration in the market value of residential real estate could result in a greater risk of loss if actions such as foreclosure become necessary to collect the loan.

**Consumer Loans:**

Consumer loans include direct and indirect auto loans, and unsecured loans. Auto loans tend to be secured by depreciating collateral. Consumer loan collections are dependent on the borrower's continuing financial stability, and are more likely to be adversely affected by job loss, illness or personal bankruptcy.

**Education Loans:**

Education loans include in-school and refinance private student loans. There is no underlying collateral associated with these loans. Collections are dependent on the borrowers' continuing financial stability and are more likely to be adversely affected by job loss, illness or federal programs.

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

Expected credit losses are estimated over the expected economic life of the outstanding balance based on borrower behavior, rather than stated maturity. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed. At December 31, 2025 and 2024, the Credit Union had other real estate owned of \$0 and \$695, respectively.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

Federal Home Loan Bank Stock: The Credit Union, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in the capital stock of the FHLB. No ready market exists for the stock and has no quoted market value. The stock is redeemable at par by the FHLB and is therefore carried at cost and periodically evaluated for impairment. The Credit Union records dividends in income on the ex-dividend date.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the asset's useful lives on the straight-line basis. Maintenance and repairs are expensed, and major improvements are capitalized. Gains and losses on disposition are included in non-interest income.

National Credit Union Share Insurance Fund (NCUSIF) Deposit: The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Mortgage Servicing Rights: Mortgage servicing rights are initially recorded at fair value. Servicing rights are recognized separately when they are acquired through sales of loans. Fair value is primarily based on a valuation model that estimates the present value of estimated future net servicing income. Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is included as an offset to noninterest income. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Any changes in valuation allowances would be reported with other non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. At December 31, 2025 and 2024 there is no valuation allowance for impairment of mortgage servicing rights.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(In thousands)

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

Member ACH Advance Receivable: The Credit Union offers a program that provides eligible members with accelerated access to certain incoming Automated Clearing House (ACH) deposits prior to the completion of the standard settlement process. When the Credit Union elects to make funds available before settlement, it advances the amount of the pending ACH deposit to the member. The advance does not constitute an extension of credit to the member, is not evidenced by a separate note or line of credit, does not accrue interest or finance charges, and the member has no repayment obligation separate from settlement of the underlying ACH transaction. Advances made to members under the program are recognized as a receivable at the time the funds are disbursed. The receivable is measured at the amount of the advance and is presented separately on the statements of financial condition. Collection generally occurs upon settlement of the related ACH transaction, which typically occurs within one to two business days.

Mortgage Banking Derivatives: Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. The Credit Union enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. The Credit Union does not designate these derivatives as hedging instruments and accordingly, recognizes the change in their fair value in earnings. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Credit Union, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Members' Deposits: Members' deposits are subordinated to all other liabilities of the Credit Union upon liquidation. Interest rates on members' deposit accounts are based on available earnings at the end of an interest period. Interest rates on members' deposit accounts are set by management in accordance with the policies set forth and approved by the Board of Directors, based on an evaluation of current and estimated future market conditions.

Members' Equity: The Credit Union was required by regulation to maintain a statutory reserve (regular reserve). This reserve, which represents a regulatory restriction of members' equity, was not available for the payment of interest to members. The Credit Union is no longer required to transfer undivided earnings to regular reserves during 2025 and 2024.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union does, however, pay sales tax, property tax, payroll taxes, and federal and state income tax on unrelated business activities.

The Internal Revenue Service (IRS) and certain taxing authorities are evaluating what, if any, products and services provided by state chartered credit unions or their credit union service organizations are subject to unrelated business income tax (UBIT). There is currently very little guidance in the IRS Code on what activities should be subject to UBIT. The IRS has issued certain technical advice memorandums identifying certain activities as being subject to UBIT. As a result, at this time there is uncertainty regarding whether state chartered credit unions should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which credit unions were granted non-taxable status. The tax liability recorded by the Credit Union as of December 31, 2025 and 2024 attributed to unrelated business activities was not material.

Retirement Savings Plan: The Credit Union sponsors a retirement savings plan covering substantially all employees eligible as to age and length of service. The amount of the contribution to the plan is determined annually at the discretion of the Board of Directors and complies with the requirements of the plan agreement.

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

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

Allowance for Credit Losses on Off-Balance Sheet Credit Financial Instruments : The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The off-balance sheet commitment liability is recorded within the accrued interest payable and other liabilities section of the Credit Union's statement of financial condition. The off-balance sheet commitment liability totaled \$65 and \$42 for the years ended 2025 and 2024, respectively.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated.

**NOTE 2 - DEBT SECURITIES**

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolio at December 31, 2025 and 2024.

<u>2025</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
US government bonds	\$ 288,215	\$ 525	\$ (2)	\$ 288,738
Corporate bonds	14,980	81	(1,067)	13,994
Agency collateralized mortgage obligations-residential	94,061	849	(131)	94,779
Agency collateralized mortgage obligations-commercial	807	-	(3)	804
Collateralized debt obligations - other	4,855	-	(27)	4,828
Agency mortgage-backed securities-residential	275,581	3,152	(1,989)	276,744
Agency mortgage-backed securities-commercial	<u>173,636</u>	<u>304</u>	<u>(2,795)</u>	<u>171,145</u>
Total available-for-sale	<u>\$ 852,135</u>	<u>\$ 4,911</u>	<u>\$ (6,014)</u>	<u>\$ 851,032</u>
<u>2024</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. government sponsored entities and agencies	\$ 40,000	\$ 22	\$ (3,871)	\$ 36,151
Corporate bonds	17,054	105	(1,702)	15,457
Agency collateralized mortgage obligations-residential	83,048	139	(1,105)	82,082
Agency mortgage-backed securities-residential	287,083	152	(9,095)	278,140
Agency mortgage-backed securities-commercial	<u>199,660</u>	<u>383</u>	<u>(6,368)</u>	<u>193,675</u>
Total available-for-sale	<u>\$ 626,845</u>	<u>\$ 801</u>	<u>\$ (22,141)</u>	<u>\$ 605,505</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
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**NOTE 2 - DEBT SECURITIES (Continued)**

In 2025, the Credit Union received proceeds of \$46,877 with a net loss of \$2,266 for securities sold during the year for the year. In 2024, the Credit Union received proceeds of \$99,677 with a net loss of \$5,342 for securities sold during the year.

At December 31, 2025, amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	<u>Amortized Cost</u>	<u>Fair Value</u>
Available-for-sale		
Within one year	\$ 172,206	\$ 172,493
One to five years	128,996	128,269
Five to ten years	2,433	2,410
Collateralized debt obligations	4,855	4,828
Mortgage-backed securities and collateralized mortgage obligations	<u>543,645</u>	<u>543,032</u>
Total	<u>\$ 852,135</u>	<u>\$ 851,032</u>

The following tables summarize securities with unrealized and unrecognized losses at December 31, 2025 and 2024 aggregated by major security type and length of time in a continuous unrealized loss position:

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<b>December 31, 2025</b>						
Available-for-sale						
U.S. government bonds	\$ 17,935	\$ (2)	\$ -	\$ -	\$ 17,935	\$ (2)
Corporate bonds	-	-	11,909	(1,067)	11,909	(1,067)
Agency collateralized mortgage obligations-residential	7,831	(5)	10,762	(126)	18,593	(131)
Agency collateralized mortgage obligations-commercial	804	(3)	-	-	804	(3)
Collateralized Debt obligations-other	4,828	(27)	-	-	4,828	(27)
Agency mortgage-backed securities - residential	47,944	(345)	59,473	(1,644)	107,417	(1,989)
Agency mortgage-backed securities - commercial	<u>10,682</u>	<u>(47)</u>	<u>113,690</u>	<u>(2,748)</u>	<u>124,372</u>	<u>(2,795)</u>
Total available-for-sale	<u>\$ 90,024</u>	<u>\$ (429)</u>	<u>\$ 195,834</u>	<u>\$ (5,585)</u>	<u>\$ 285,858</u>	<u>\$ (6,014)</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 2 - DEBT SECURITIES (Continued)**

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2024</b>						
Available-for-sale						
U.S. government sponsored entities and agencies	\$ -	\$ -	\$ 31,129	\$ (3,871)	\$ 31,129	\$ (3,871)
Corporate bonds	-	-	11,269	(1,702)	11,269	(1,702)
Agency collateralized mortgage obligations-residential	49,046	(1,090)	2,067	(15)	51,113	(1,105)
Agency mortgage-backed securities - residential	226,652	(6,349)	33,873	(2,746)	260,525	(9,095)
Agency mortgage-backed securities - commercial	<u>9,707</u>	<u>(261)</u>	<u>133,397</u>	<u>(6,107)</u>	<u>143,104</u>	<u>(6,368)</u>
Total available-for-sale	<u>\$ 285,405</u>	<u>\$ (7,700)</u>	<u>\$ 211,735</u>	<u>\$ (14,441)</u>	<u>\$ 497,140</u>	<u>\$ (22,141)</u>

The majority of unrealized losses at December 31, 2025 are related to U.S. government sponsored entities and agency securities, agency mortgage-backed securities and corporate bonds. Agency-issued securities are generally guaranteed by a U.S. government agency, such as the Government National Mortgage Association. Government-sponsored entities, such as the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or Small Business Administration, have an implied guarantee by the U.S. government. At December 31, 2025, all of the mortgage-backed securities held by the Credit Union were issued by U.S. government-sponsored entities and agencies.

Unrealized losses on corporate bonds have not been recognized into income because the issuers' bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

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UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - LOANS TO MEMBERS, NET**

Year-end loans to members were as follows:

	<u>2025</u>	<u>2024</u>
<b>Real Estate Secured Loans</b>		
First mortgage real estate – consumer	\$ 1,609,562	\$ 1,611,576
First mortgage real estate – business	172,078	23,792
Second mortgage	61,343	65,019
Home equity line of credit	<u>906,821</u>	<u>752,695</u>
	2,749,804	2,453,082
<b>Consumer Loans</b>		
Direct auto loans	260,821	232,268
Indirect auto loans	967,541	918,212
Credit card loans	283,103	253,640
Unsecured term loans	107,487	100,313
Unsecured line of credit	<u>14,464</u>	<u>14,981</u>
	1,633,416	1,519,414
 Education loans, unguaranteed	 <u>101,604</u>	 <u>111,223</u>
	4,484,824	4,083,719
 Net deferred loan origination costs	 25,089	 23,562
Allowance for credit losses	<u>(44,100)</u>	<u>(36,365)</u>
	<u>\$ 4,465,813</u>	<u>\$ 4,070,916</u>

The following tables present the activity in the allowance for credit losses by portfolio segment:

	Real Estate Secured Loans	Consumer Loans	Education Loans	Total
<u>December 31, 2025</u>				
Allowance for Credit Losses:				
Beginning Balance	\$ 6,228	\$ 28,717	\$ 1,420	\$ 36,365
Credit loss expense	2,610	26,331	1,157	30,098
Loans Charged Off	(583)	(24,269)	(954)	(25,806)
Recoveries	<u>157</u>	<u>2,998</u>	<u>288</u>	<u>3,443</u>
 Total Ending Allowance Balance	 <u>\$ 8,412</u>	 <u>\$ 33,777</u>	 <u>\$ 1,911</u>	 <u>\$ 44,100</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

<u>December 31, 2024</u>	Real Estate Secured <u>Loans</u>	Consumer <u>Loans</u>	<u>Education Loans</u>	<u>Total</u>
Allowance for Loan Losses:				
Beginning Balance	\$ 10,950	\$ 13,445	\$ 1,032	\$ 25,427
Credit loss expense	(4,411)	35,954	1,224	32,767
Loans Charged Off	(406)	(22,863)	(1,035)	(24,304)
Recoveries	<u>95</u>	<u>2,181</u>	<u>199</u>	<u>2,475</u>
Total Ending Allowance Balance	<u>\$ 6,228</u>	<u>\$ 28,717</u>	<u>\$ 1,420</u>	<u>\$ 36,365</u>

The following table presents the amortized cost in nonaccrual and loans past due over 89 days still on accrual by class of loans as of December 31, 2025:

	Nonaccrual With No Allowance <u>For Credit Loss</u>	<u>Nonaccrual</u>	Loans Past Due Over 89 Days <u>Still Accruing</u>	Interest Income <u>Recognized</u>
First mortgage real estate	\$ 2,932	\$ 2,932	\$ -	\$ 74
First mortgage business	-	-	-	-
Second mortgage	121	121	-	6
Home equity line of credit	3,879	3,879	-	202
Direct auto loan	-	753	-	86
Indirect auto loan	-	6,462	-	792
Credit card loans	-	2,155	-	278
Unsecured term	-	441	-	61
Unsecured line of credit	-	73	-	10
Education loans	<u>-</u>	<u>528</u>	<u>-</u>	<u>39</u>
Total	<u>\$ 6,932</u>	<u>\$ 17,344</u>	<u>\$ -</u>	<u>\$ 1,548</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

The following tables present the amortized cost in nonaccrual and loans past due over 89 days still on accrual by class of loans as of January 1, 2024 and December 31, 2024:

	December 31, 2024		December 31, 2024		
	January 1, 2024	Nonaccrual With No Allowance	Nonaccrual	Loans Past Due Over 89 Days Still Accruing	Interest Income Recognized
	<u>Nonaccrual</u>	<u>For Credit Loss</u>	<u>Nonaccrual</u>	<u>Still Accruing</u>	<u>Recognized</u>
First mortgage real estate	\$ 3,495	\$ 2,230	\$ 2,230	\$ -	\$ 33
First mortgage business	-	-	-	-	-
Second mortgage	-	139	139	-	8
Home equity line of credit	2,005	3,384	3,468	-	123
Direct auto loan	667	-	805	-	58
Indirect auto loan	3,979	-	5,722	-	618
Credit card loans	1,764	-	2,330	-	317
Unsecured term	580	-	669	-	86
Unsecured line of credit	91	-	113	-	10
Education loans	536	-	911	-	73
	<u>13,117</u>	<u>5,753</u>	<u>16,387</u>	<u>-</u>	<u>1,326</u>
Total	<u>\$ 13,117</u>	<u>\$ 5,753</u>	<u>\$ 16,387</u>	<u>\$ -</u>	<u>\$ 1,326</u>

Nonaccrual loans and loans past due 89 days still on accrual include both smaller balance homogenous loans that are collectively evaluated for impairment and individually classified loans.

The following tables present the amortized cost in collateral-dependent loans by collateral type and class of loans for Residential real estate as of December 31:

	<u>2025</u>	<u>2024</u>
First mortgage real estate	\$ 3,660	\$ 3,700
Home equity line of credit	5,990	5,752
Second mortgage real estate	<u>320</u>	<u>179</u>
Balance at end of year	<u>\$ 9,970</u>	<u>\$ 9,631</u>

For collateral dependent loans that were individually analyzed, there was no allowance recorded due the collateral value securing the loans for the year ended 2025 and no significant allowance recorded for the year ended 2024.

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

The Credit Union monitors credit quality based on the aging of past due loans. The following tables present the aging of the amortized cost in past due loans as of December 31, 2025 and 2024 by class:

<u>December 31, 2025</u>	30-59 Days <u>Past Due</u>	60-89 Days <u>Past Due</u>	Greater Than 89 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	<u>Total</u>
First mortgage real estate	\$ 6,848	\$ 728	\$ 2,932	\$ 10,508	\$ 1,602,001	\$ 1,612,509
First mortgage business	-	-	-	-	171,860	171,860
Second mortgage	94	199	121	414	60,966	61,380
Home equity line of credit	3,769	2,111	3,879	9,759	900,084	909,843
Direct auto loan	1,552	697	753	3,002	259,012	262,014
Indirect auto loan	13,916	4,374	6,462	24,752	959,404	984,156
Credit card loans	2,692	1,473	2,155	6,320	276,783	283,103
Unsecured term	765	509	441	1,715	106,802	108,517
Unsecured line of credit	175	129	73	377	14,087	14,464
Education loans	<u>818</u>	<u>332</u>	<u>528</u>	<u>1,678</u>	<u>100,389</u>	<u>102,067</u>
Total	<u>\$ 30,629</u>	<u>\$ 10,552</u>	<u>\$ 17,344</u>	<u>\$ 58,525</u>	<u>\$ 4,451,388</u>	<u>\$ 4,509,913</u>

<u>December 31, 2024</u>	30-59 Days <u>Past Due</u>	60-89 Days <u>Past Due</u>	Greater Than 89 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	<u>Total</u>
First mortgage real estate	\$ 4,268	\$ 1,470	\$ 2,230	\$ 7,968	\$ 1,606,418	\$ 1,614,386
First mortgage business	-	-	-	-	23,743	23,743
Second mortgage	211	40	139	390	64,660	65,050
Home equity line of credit	3,440	2,284	3,468	9,192	746,259	755,451
Direct auto loan	1,879	559	805	3,243	230,190	233,433
Indirect auto loan	15,612	4,253	5,722	25,587	908,006	933,593
Credit card loans	2,452	1,523	2,330	6,305	247,335	253,640
Unsecured term	962	652	669	2,283	98,978	101,261
Unsecured line of credit	203	145	113	461	14,520	14,981
Education loans	<u>903</u>	<u>209</u>	<u>911</u>	<u>2,023</u>	<u>109,722</u>	<u>111,745</u>
Total	<u>\$ 29,930</u>	<u>\$ 11,135</u>	<u>\$ 16,387</u>	<u>\$ 57,452</u>	<u>\$ 4,049,829</u>	<u>\$ 4,107,281</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - LOANS TO MEMBERS, NET** (Continued)

For first mortgage business loans the Credit Union categorizes loans into credit risk categories based on financial information, overall debt service coverage, collateral coverage, guarantor financial strength and current economic trends, among other factors. The Credit Union analyzes loans individually to classify loans as to the credit risk. This analysis includes all first mortgage business loans and is performed annually. The Credit Union uses the following definitions for risk ratings:

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

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

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

Occasionally, the Credit Union modifies loans to borrowers in financial distress by providing a change of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk or a combination of both. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

The following table presents loans at December 31 2025 and 2024, that were both experiencing financial difficulty and modified during the year ended December 31 2025 and 2024, by class and type of modification. The percentage of the loans that were modified to borrowers in financial distress as compared to each class of financing receivable is presented below:

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

<u>December 31, 2025</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Interest Rate Reduction</u>	<u>Total Class of Financing Receivable</u>
Second Mortgage	\$ 44	\$ -	\$ -	.07%
Direct auto loan	656	-	255	.35
Indirect auto loan	403	28	243	.07
Student loan	-	177	-	.17
Unsecured term	<u>273</u>	<u>13</u>	<u>44</u>	<u>.27</u>
Total	<u>\$ 1,376</u>	<u>\$ 218</u>	<u>\$ 542</u>	<u>\$ .05%</u>

<u>December 31, 2024</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Interest Rate Reduction</u>	<u>Total Class of Financing Receivable</u>
Direct auto loan	\$ 170	\$ -	\$ 42	.09%
Indirect auto loan	217	111	118	.05
Unsecured term	<u>234</u>	<u>50</u>	<u>6</u>	<u>.29</u>
Total	<u>\$ 621</u>	<u>\$ 161</u>	<u>\$ 166</u>	<u>\$ .02%</u>

The Credit Union closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months for the year ending December 31 2025 and 2024:

<u>December 31, 2025</u>	<u>30 - 59 Days Past Due</u>	<u>60 - 89 Days Past Due</u>	<u>Greater Than 89 Days Past Due</u>	<u>Total Past Due</u>
Direct auto loan	\$ 54	\$ 32	\$ 92	\$ 178
Indirect auto loan	55	14	37	106
Unsecured term	<u>27</u>	<u>25</u>	<u>-</u>	<u>52</u>
Total	<u>\$ 136</u>	<u>\$ 71</u>	<u>\$ 129</u>	<u>\$ 336</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

	30 - 59 Days <u>Past Due</u>	60 - 89 Days <u>Past Due</u>	Greater Than 89 Days <u>Past Due</u>	Total <u>Past Due</u>
<u>December 31, 2024</u>				
Direct auto loan	\$ 42	\$ -	\$ 21	\$ 63
Indirect auto loan	4	52	71	127
Unsecured term	<u>18</u>	<u>32</u>	<u>-</u>	<u>50</u>
Total	<u>\$ 64</u>	<u>\$ 84</u>	<u>\$ 92</u>	<u>\$ 240</u>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024:

	Weighted- Average Term (Months) <u>Extension</u>	Weighted- Average Interest Rate <u>Reduction (increase)</u>
<u>December 31, 2025</u>		
Second Mortgage	10.00	0.0%
Direct auto loan	1.52	(0.3)
Indirect auto loan	1.13	0.3
Student loan	-	(8.6)
Unsecured term	2.01	0.6
	Weighted- Average Term (Months) <u>Extension (Reduction)</u>	Weighted- Average Interest Rate <u>Reduction (Increase)</u>
<u>December 31, 2024</u>		
Direct auto loan	0.81	(2.9)%
Indirect auto loan	0.70	2.8
Unsecured term	(0.44)	(2.0)

The following table presents loans that had a payment default during the year ended December 31, 2025 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - LOANS TO MEMBERS, NET (Continued)**

<u>December 31, 2025</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Extension and Interest Rate Reduction</u>
Direct auto loan	\$ 93	\$ -	\$ 36
Indirect auto loan	5	-	69
Unsecured term	<u>66</u>	<u>-</u>	<u>4</u>
Total	<u>\$ 164</u>	<u>\$ -</u>	<u>\$ 109</u>

<u>December 31, 2024</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Extension and Interest Rate Reduction</u>
Direct auto loan	\$ 40	\$ -	\$ -
Indirect auto loan	45	43	19
Unsecured term	<u>41</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 126</u>	<u>\$ 43</u>	<u>\$ 19</u>

Loans not meeting the criteria above that are analyzed individually as part of the above-described processes are considered to be pass-rated loans. All first mortgage business loans were pass-rated as of December 31, 2025 and 2024.

Loans to credit union directors, committee members, and officers totaled \$2,570 and \$2,508 as of December 31, 2025 and 2024, respectively.

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 - MORTGAGE SERVICING RIGHTS**

Activity for mortgage servicing rights is as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 19,382	\$ 21,026
Additions	5,603	4,718
Amortization	<u>(5,440)</u>	<u>(6,362)</u>
Balance at end of year	<u>\$ 19,545</u>	<u>\$ 19,382</u>

Mortgage loans serviced for others are not reported as assets. The unpaid principal balances of these loans at year-end 2025 and 2024 were \$4,013,410 and \$3,850,403, respectively. The Credit Union receives servicing and other ancillary income on the loans serviced for others. The income recognized was \$9,914 and \$9,534 in 2025 and 2024, respectively, and included in fees on loans on the statement of income. Custodial escrow balances maintained in connection with serviced loans were \$12,602 and \$15,581 at year-end 2025 and 2024, respectively.

The fair value of servicing rights was \$45,504 and \$45,358 at year-end 2025 and 2024, respectively. Fair value at year-end 2025 and 2024 was determined using a discount rate of 9.5% and 10.0%, default rates of 2.16% and 2.09% and prepayment speeds ranging from 4.45% to 43.90% and 4.2% to 37.5% respectively, depending on the stratification of the specific right.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 5 - MORTGAGE BANKING DERIVATIVES**

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third-party investors are considered derivatives. It is the Credit Union's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships.

At year-end 2025 and 2024, the Credit Union had approximately \$39,673 and \$24,635 of interest rate lock commitments and \$123,070 and \$63,633 of forward commitments for the future delivery of residential mortgage loans, respectively. The fair value of these mortgage banking derivatives are reflected by a derivative asset of \$835 and \$768 and a derivative liability of \$201 and \$7 for 2025 and 2024, respectively. Fair values were estimated based on changes in mortgage interest rates from the date of the commitments. Changes in the fair values of these mortgage-banking derivatives are included in net gains on sales of loans on the Statements of Income and Comprehensive Income.

The net gains relating to free-standing derivative instruments used for risk management are summarized below as of December 31:

	<u>Location</u>	<u>2025</u>	<u>2024</u>
Interest rate lock commitments	Net gain (loss) on sale of loans	\$ 319	\$ (202)
Forward contracts related to mortgage loans held for sale	Net (loss) gain on sale of loans	\$ (446)	\$ 1,019

The following table reflects the notional amount and fair value of mortgage banking derivatives included in the Statements of Financial Condition as of December 31:

	<u>2025</u>		<u>2024</u>	
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Total included in other assets:				
Interest rate lock commitments	<u>\$ 39,673</u>	<u>\$ 541</u>	<u>\$ 24,635</u>	<u>\$ 222</u>
Forward contracts	<u>\$ 66,979</u>	<u>\$ 294</u>	<u>\$ 55,533</u>	<u>\$ 546</u>
Total included in other liabilities:				
Forward contracts	<u>\$ 56,091</u>	<u>\$ 201</u>	<u>\$ 8,100</u>	<u>\$ 7</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 6 - PREMISES AND EQUIPMENT, NET**

Year-end premises and equipment were as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 52,978	\$ 51,771
Buildings	195,025	186,495
Furniture and equipment	51,120	50,448
Data processing system	15,704	15,714
Leasehold improvements	8,143	8,134
Construction in progress	<u>13,113</u>	<u>5,405</u>
	336,083	317,967
Accumulated depreciation	<u>(86,722)</u>	<u>(75,474)</u>
	<u>\$ 249,361</u>	<u>\$ 242,493</u>

Since 2024 the Credit Union has purchased several properties to expand branch networks. The total cost of construction in progress for branch expansion as of December 31, 2025 is \$11,913. Construction for these branches has an estimated completion date of Spring 2027.

**NOTE 7 - LEASES**

The Credit Union enters into leases in the normal course of business primarily for branches, back-office operations, and information technology data center locations. The Credit Union's leases have remaining terms ranging from 1 to 16 years, some of which include renewal options to extend the lease for up to 10 years. Lease extension options are included in the lease term if it is reasonably certain the Credit Union will exercise the option.

Right-of-use assets (included in other assets) and lease liabilities (included in accrued interest payable and other liabilities) are as follows:

	<u>2025</u>	<u>2024</u>
Right-of-use assets (operating leases)	\$8,656	\$7,489
Lease liabilities (operating leases)	9,078	7,926

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 7 - LEASES, Continued**

*Lease Obligations*

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

2026	\$ 1,870
2027	1,785
2028	1,478
2029	1,128
2030	1,111
Thereafter	<u>2,697</u>
Total undiscounted lease payments	10,069
Less: imputed interest	<u>(991)</u>
Net Lease Liabilities	<u>\$ 9,078</u>

*Supplemental Lease Information*

	<u>2025</u>	<u>2024</u>
Operating lease weighted average remaining term (years)	7.39	7.85
Operating lease weighted average discount rate	2.92%	2.35%
Cash paid for amounts included in the measurement of Lease liabilities (statement of cash flows)	\$1,822	\$1,757
Rent expense	1,958	1,795

**NOTE 8 - MEMBERS' DEPOSITS**

Members' deposits at year end are summarized as follows:

	<u>2025</u>	<u>2024</u>
Money market accounts	\$ 1,905,826	\$ 1,432,065
Share certificates	969,699	990,010
Share draft accounts	1,348,525	1,179,239
Share savings accounts	1,173,716	1,180,525
Individual retirement accounts		
Share certificates	65,190	57,159
Share savings	<u>22,748</u>	<u>22,834</u>
	<u>\$ 5,485,704</u>	<u>\$ 4,861,832</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 8 - MEMBERS' DEPOSITS, Continued**

Share certificates and individual retirement account certificates as of December 31, 2025 mature as follows:

2026	\$ 939,815
2027	75,886
2028	7,046
2029	6,870
2030	<u>5,272</u>
	<u>\$1,034,889</u>

The total of members' share certificate accounts over \$250 was \$210,366 and \$218,720 as of December 31, 2025 and 2024, respectively.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include commitments to make loans and open-end revolving lines of credit to members. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and open-end revolving lines of credit is represented by the contractual amount of those instruments. The Credit Union uses the same credit policy to make such commitments as it uses for on-balance-sheet items.

Outstanding loan commitments and unused open-end revolving lines of credit at year end are as follows:

	<u>2025</u>	<u>2024</u>
Unused open-end lines of credit	\$ 2,181,453	\$ 1,947,950
Basic reserve overdraft protection	88,433	87,997
First mortgage commitments	<u>39,673</u>	<u>24,635</u>
	<u>\$ 2,309,559</u>	<u>\$ 2,060,582</u>

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 9 - COMMITMENTS AND CONTINGENCIES, Continued**

Since many commitments to make loans and unused open-end revolving lines of credit expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. No material losses are anticipated as a result of these transactions. Collateral may be obtained upon exercise of the commitment and is determined using management's credit evaluation of the borrower and may include real estate, consumer assets, business assets, deposits, and other items.

**NOTE 10 - BORROWED FUNDS**

At December 31, 2025 and 2024, the Credit Union had borrowing agreements with the Federal Reserve and Federal Home Loan Bank.

At year end, advances from the Federal Home Loan Bank were as follows:

	<u>2025</u>	<u>2024</u>
Fixed 4.74% rate, matured January 2025	\$ -	\$ 50,000
Fixed 4.76% rate, matured January 2025	-	50,000
Fixed 4.67% rate, matured February 2025	-	100,000
Fixed 4.39% rate, maturing January 2026	70,000	-
Fixed 4.34% rate, maturing January 2026	30,000	-
Fixed 4.36% rate, maturing February 2026	10,000	-
Fixed 4.31% rate, maturing February 2026	<u>30,000</u>	<u>-</u>
	<u>\$ 140,000</u>	<u>\$ 200,000</u>

Each advance is payable at its maturity date. The advances were collateralized by \$2,731,269 and \$2,450,288 of first mortgage and home equity loans under a blanket lien arrangement at year-end 2025 and 2024, respectively. Based on this collateral the Credit Union is eligible to borrow up to a total of \$1,837,989 and \$1,666,474 at year-end 2025 and 2024, respectively.

There were no advances outstanding with the Federal Reserve for 2025 and 2024. The Credit Union is eligible to borrow up to a total of \$203,194 and \$231,990 at year-end 2025 and 2024, respectively. Eligible advances were collateralized by \$204,380 and \$245,956 of U.S. government bonds at year-end 2025 and 2024, respectively.

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(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 11 - REVENUE FROM CONTRACTS WITH CUSTOMERS**

All of the Credit Union's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Credit Union's sources of Non-Interest Income for the twelve months ended December 31, 2025 and 2024. Items outside the scope of ASC 606 are noted as such.

	<u>Year Ended</u> <u>December 31, 2025</u>	<u>Year Ended</u> <u>December 31, 2024</u>
Non-interest income		
Service charges and fees		
Overdraft and insufficient funds fees	\$ 846	\$ 754
Negotiables and treasury services fees	931	822
Line of credit overdraft advance and balance transfer fees	1,874	1,840
Other	1,364	1,890
Fees on loans <sup>(a)</sup>	10,586	8,773
Card and ATM interchange	48,745	46,168
Net gain on sale of premises and equipment <sup>(a)</sup>	-	4,020
Net gain on sale of loans <sup>(a)</sup>	9,825	7,667
Other		
Wealth management and investment fees	5,994	4,873
Credit insurance fees	1,684	1,315
Other <sup>(b)</sup>	<u>1,575</u>	<u>1,685</u>
 Total non-interest income	 <u>\$ 83,424</u>	 <u>\$ 79,807</u>

(a) Not within the scope of ASC 606.

(b) The other category includes card processing incentives totaling \$1,322 and \$1,252, which is within the scope of ASC 606; the remaining balance of \$253 and \$433 is outside the scope of ASC 606 for 2025 and 2024, respectively.

Service charges and fees: The Credit Union earns fees from its deposit members for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Account maintenance fees, which relate to monthly maintenance, are earned over the course of a month, representing the period over which the Credit Union satisfies the performance obligation. Balance transfer and overdraft service fees are recognized at the point in time that the overdraft occurs. Services charges on deposits are withdrawn from the member's account balance.

(Continued)

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**NOTE 11 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**

Card and ATM interchange: The Credit Union earns interchange fees from debit, credit and ATM transactions conducted through the VISA and other payment networks. Interchange fees from transactions represent a flat amount or percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Wealth management and investment fees (Gross): The Credit Union earns wealth management and investment brokerage fees from its contracts with brokerage members to manage assets for investment and to transact on their accounts. These fees are primarily earned over time as the Credit Union provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management (AUM) at month-end. Fees that are transaction-based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e. trade date. Other related services provided include financial planning services and the fees the Credit Union earns, which are based on a fixed fee schedule, are recognized when services are rendered.

Credit insurance fees: The Credit Union earns fees from the sale of credit insurance products including credit life and disability, gap, and mechanical breakdown. These fees are generally earned over time as members pay premiums for coverage, which is also the period in which the service is provided.

**NOTE 12 - EMPLOYEE BENEFITS, COMPENSATION AND RETIREMENT SAVINGS PLAN**

Substantially all employees of the Credit Union are eligible to participate in the Credit Union's retirement savings plan. The Credit Union provides a matching funds contribution for participating employees. In 2025 and 2024, the Credit Union made a 100% matching contribution of the first 4% and an additional 50% matching contribution on the next 2% of the employee contributions. In addition, the Credit Union provided a discretionary contribution to all participant accounts equal to 4% of each employee's eligible compensation in 2025 and 2024. The expense related to the plan was \$6,155 and \$5,909 for the years ending December 31, 2025 and 2024, respectively.

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(Continued)

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**NOTE 12 - EMPLOYEE BENEFITS, COMPENSATION AND RETIREMENT SAVINGS PLAN** (Continued)

The Credit Union provides a non-qualified deferred compensation plan as allowed under Internal Revenue Code Section 457(b) to certain higher compensated employees. This plan offers a before-tax savings opportunity to participants. The maximum amount of deferral per participant was \$23.5 and \$23.0 for 2025 and 2024, respectively. The participants individually direct the investment of deferred compensation fund balances. Contributions are not matched by the Credit Union, and therefore, no expense was recorded for this plan in 2025 and 2024. At December 31, 2025 and 2024, the outstanding liability under the plan was \$5,135 and \$4,309, respectively.

The President of the Credit Union is retained by the Board of Directors and serves at the pleasure of the Board of Directors. As provided by the Bylaws, the President is the Chief Executive Officer of the Credit Union and is in active charge of managing the Credit Union's day-to-day operations under the direction of the Board, Bylaws, Federal and Wisconsin rules, regulations, and statutes applicable to federally insured Wisconsin state-chartered credit unions. As prescribed by the Bylaws, the Board of Directors sets the compensation of the President. The Board has executed a formal employment contract with the President, which provides that either party may terminate the agreement at any time. Per the terms of the contract, the Board sets the compensation of the President using independently obtained data to benchmark the market value of the position. All employees of the Credit Union, including the President, are eligible to receive a base pay as well as a variable pay bonus based on the attainment of organizational goals, which include member satisfaction, and financial stewardship. The President receives the same life, medical, disability, and dental insurance, and 401(k) benefits that are available to all full-time employees of the Credit Union. The President is provided with other benefits, which include a supplemental disability insurance policy, and is provided an automobile allowance. The annual value of all supplemental benefits received by the President over those generally available to all full-time employees of the Credit Union was \$19 and \$18 in 2025 and 2024, respectively. The base and variable compensation of the President was \$1,184 and \$1,033 in 2025 and 2024, respectively.

The Board established a Deferred Compensation Plan dated September 25, 2018 (2018 Plan). The 2018 plan is designed to compensate for benefits not eligible under the 401(k) plan as a result of limitations imposed by the IRS on allowable contributions, contribution limitations for Social Security, as well as to provide a long-term incentive for sustained performance. Deferred compensation expense under the 2018 Plan is accrued monthly, and for the year ending December 31, 2025 and 2024 was \$411 and \$361, respectively. At December 31, 2025 and 2024 the outstanding liability under the plan was \$2,872 and \$2,364, respectively.

Cumulative deferred compensation payable to the President is a general creditor obligation of the Credit Union. Future disbursements (if any) of the cumulative deferred compensation payable are contingent on the conditions established by the plan.

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(Continued)

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**NOTE 12 - EMPLOYEE BENEFITS, COMPENSATION AND RETIREMENT SAVINGS PLAN** (Continued)

Wisconsin Statutes permit Officers of the Board of Directors to receive compensation for service as well as reimbursement of expenses. However, no members of the Board of Directors received compensation in 2025 and 2024. Board members do not participate in the Credit Union's employee benefits.

**NOTE 13 - FAIR VALUES**

Accounting guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

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

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

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

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

Investment Securities: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Loans Held for Sale, at Fair Value: The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments from third party investors (Level 2 inputs).

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2 inputs).

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(Continued)

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**NOTE 13 - FAIR VALUES** (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets, at December 31, 2025:</u>			
Securities available-for-sale			
U.S. government bonds	\$ -	\$ 288,738	\$ -
Corporate bonds	-	13,994	-
Agency collateralized mortgage obligations - residential	-	94,779	-
Agency collateralized mortgage obligations - commercial	-	804	-
Collateralized debt obligations - other	-	4,827	-
Agency mortgage-backed securities - residential	-	276,744	-
Agency mortgage-backed securities - commercial	-	171,145	-
Total securities available-for-sale	<u>\$ -</u>	<u>\$ 851,032</u>	<u>\$ -</u>
Loans held for sale, at fair value	<u>\$ -</u>	<u>\$ 74,426</u>	<u>\$ -</u>
Mortgage banking derivatives	<u>\$ -</u>	<u>\$ 835</u>	<u>\$ -</u>
<u>Liabilities, at December 31, 2025:</u>			
Mortgage banking derivatives	<u>\$ -</u>	<u>\$ (201)</u>	<u>\$ -</u>

(Continued)

UNIVERSITY OF WISCONSIN CREDIT UNION  
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**NOTE 13 - FAIR VALUES** (Continued)

	<u>Fair Value Measurements Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets, at December 31, 2024:</u>			
Securities available-for-sale			
U.S. government bonds	\$ -	\$ -	\$ -
U.S. government sponsored entities and agencies	-	36,151	\$ -
Corporate bonds	-	15,457	-
Agency collateralized mortgage obligations - residential	-	82,082	-
Agency mortgage-backed securities - residential	-	278,140	-
Agency mortgage-backed securities - commercial	-	193,675	-
Total securities available-for-sale	<u>\$ -</u>	<u>\$ 605,505</u>	<u>\$ -</u>
Loans held for sale, at fair value	<u>\$ -</u>	<u>\$ 42,836</u>	<u>\$ -</u>
Mortgage banking derivatives	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ -</u>
<u>Liabilities, at December 31, 2024:</u>			
Mortgage banking derivatives	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during 2025 and 2024.

(Continued)

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**NOTE 13 - FAIR VALUES** (Continued)

The Credit Union also has assets that, under certain conditions, are subject to measurement on a non-recurring basis. These assets include other real estate owned and individually evaluated loans. The Credit Union estimates the fair values of individually evaluated loans based on the present value of expected future cash flows using management's best estimates of key assumptions. These assumptions include future payment ability, timing of payment streams, and estimated realizable values of available collateral (typically based on outside appraisals). The numerical range of unobservable inputs for these valuation assumptions is not meaningful to this presentation. At December 31, 2025 and 2024 net carrying value of individually evaluated loans was \$9,970 and 9,612, respectively.

The Credit Union has elected the fair value option for loans held for sale. These loans are intended for sale and the Credit Union believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on contractual terms of the loan and in accordance with the Credit Union's policy on loans held for investment. None of these loans are 90 days or more past due nor on non-accrual as of December 31, 2025 and 2024.

As of December 31, 2025 and 2024, the aggregate fair value, contractual balance (including interest) and gain or loss was as follows:

	<u>2025</u>	<u>2024</u>
Aggregate fair value	\$ 74,426	\$ 42,836
Contractual balance	73,428	42,513
Gain	998	323

The total amount of gains and losses from changes in fair value included in Net gain on sale of loans and interest income included on the Statements of Income and Comprehensive Income for the years ended December 31, 2025 and 2024 for loans held for sale were:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 4,604	\$ 4,091
Change in fair value	<u>675</u>	<u>(729)</u>
Total	<u>\$ 5,280</u>	<u>\$ 3,362</u>

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(Continued)

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**NOTE 14 - CAPITAL REQUIREMENTS**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. 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 Credit Union’s financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union’s assets, liabilities, and certain off-balance-sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union’s capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In 2015 the National Credit Union Administration (NCUA) issued a final rule establishing a risk-based capital framework. In 2021, the NCUA issued a final rule that provides for an optional, simplified measure of capital adequacy, the Complex Credit Union Leverage Ratio (CCULR) for qualifying credit unions. The final rules became effective January 1, 2022 and was elected by the Credit Union as of December 31, 2025 and 2024. The CCULR removes the requirement for qualifying credit unions to calculate and report risk-based capital, but rather only requires a net worth to average assets (leverage) ratio. Qualifying credit unions that elect to use the CCULR framework, and that maintain a leverage ratio greater than required minimums, will be considered to have satisfied the generally applicable risk based and leverage capital requirement in the NCUA’s capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements. Under the final rule the CCULR minimum requirement is 9.0% as of December 31, 2025 and 2024.

As of December 31, 2025 and 2024, the most recent call-reporting period, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balances.

Actual and required capital amounts and ratios at December 31 are presented below as follows:

	<u>Actual</u>		Minimum Required to Be <u>Well Capitalized</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>2025</u>				
Complex credit union leverage ratio	\$ 581,398	9.23%	\$ 566,628	9.00%
<u>2024</u>				
Complex credit union leverage ratio	\$ 526,412	9.31%	\$ 508,975	9.00%

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