U & I FINANCIAL CORP.

April 11, 2025

Dear Shareholders:

## Financial Summary

The 2024 financial performance for U & I Financial Corp. (the "Company") reflected another challenging year for the Company stemming from the credit deteriorations of the commercial equipment loans.

For the full year 2024 there was a net loss of $31.1 million or a $5.67 loss per share, as compared to net loss of $10.8 million or $1.98 loss per share for 2023. The decrease of $20.3 million from last year was primarily driven by the decrease in Net Interest Income of $7.1 million and the increase of Income Tax Expense of $9.8 million. The latter was due to adhering to tax accounting requirements when there are continuous net losses.

Total assets were $522.3 million at December 31, 2024, decreasing by $87.7 million or 14.4% from the prior year of $610.0 million. Total loans, net of the allowance for credit losses, ended at $386.1 million, decreasing by $78.5 million or 16.9% from the year earlier period of $464.7 million. Total deposits decreased by $74.8 million or 14.5% to $439.6 million, from the year earlier period of $514.4 million. Overall, the decreases were due to the Net Credit Charge-Offs of $50.1 million, mainly from the commercial equipment loans, as well as from Management's efforts to decrease the asset size in the near term to maintain stability.

As noted above, the continued net loss position in 2024 was primarily the result of credit deterioration in commercial equipment loans. Traditionally, UniBank (the "Bank") had focused on generating loans secured by commercial real estate ("CRE"). However, to diversify out of the CRE concentration, the Bank had increased its production in other categories such as commercial & industrial ("C & I") loans. The credit issues during the year were mainly due to the commercial equipment loans within the C & I category. For many of these loans, the Bank financed borrowers purchasing equipment from manufacturers that also service the machines through operating arrangements with the respective borrowers.

During 2023 one such manufacturer went into receivership caused by an action by the Securities and Exchange Commission, and a judgment that was entered against it resulting from the manufacturer's fraudulent activities. Certain borrowers who financed loans to acquire equipment from the manufacturers filed suit against the Bank in federal court in Washington state. During 2024 there was a similar but unrelated claim filed by borrowers of another manufacturer. For each claim, the Bank has raised substantial defenses to these lawsuits. However, the ultimate outcome is currently unknown. As such, the timing and amount of collections by the Bank against these borrowers and their guarantors are uncertain.

Looking ahead, as the bulk of the commercial equipment loans have either been paid off or charged off, and thereby greatly reducing the risk in this portfolio going forward, Management can start shifting the focus from dealing with credit issues to restoring the financial health of the Bank.

We encourage you to review Unibank's full annual report at our website at https://www.unibankusa.com/about-us/investor-relations.

## Written Agreement

As of October 21, 2024 the Company entered into a written agreement with its regulators – FRB of San Francisco and Washington Department of Financial Institutions – identifying deficiencies in various areas of the Company's operations, including, but not limited to, corporate governance, consumer compliance, lending administration, credit risk management, allowance for credit losses and liquidity management. Management has taken steps to address the required items under the agreement. Noncompliance with the Written Agreement could result in additional regulatory action and scrutiny.

## Annual Shareholders Meeting

Our annual meeting of shareholders will be held on Friday, May 23, 2025 at 10:00 a.m. at the **Lynnwood Events Center** - 3711 196th St SW, Lynnwood, WA 98036. This meeting is not a virtual meeting and will be held **in-person** only. Shareholders who cannot attend in-person are encouraged to vote by delivering the completed proxy by mail or fax per the instructions in the Shareholders Meeting Notice so that your votes may be counted.

Thank you again for your continued support of and interest in U & I Financial Corp. and UniBank. We appreciate your participation in our upcoming shareholders meeting by voting your shares in advance of the meeting.

Yoon

Stephanie Yoon, Interim CEO

## U & I Financial Corp.

### Consolidated Statement of Condition - Key Items

*($'s in thousands)*

| | 12/31/2024 | 12/31/2023 | Variance | Var % |
|---|---|---|---|---|
| *Gross Loans* | *$395,768* | *$490,636* | *($94,868)* | *-19.3%* |
| *Allowance for Credit Losses (ACL)* | *($9,620)* | *($25,950)* | *$16,330* | *-62.9%* |
| Total Loans, Net of ACL | $386,148 | $464,686 | ($78,538) | -16.9% |
| Total Assets | $522,319 | $610,049 | ($87,730) | -14.4% |
| Total Deposits | $439,602 | $514,401 | ($74,799) | -14.5% |

### Consolidated Statement of Income Summary

*($'s in thousands)*

| | 2024 | 2023 | Variance | Var % |
|---|---|---|---|---|
| Net Interest Income | $15,152 | $22,264 | ($7,112) | -31.9% |
| Provision for Credit Losses | 28,246 | 26,411 | 1,835 | 100.0% |
| Non-interest Income | 1,623 | 2,885 | (1,262) | -43.7% |
| Non-interest Expense | 12,975 | 12,682 | 293 | 2.3% |
| Net Income (Loss) before Income Taxes | (24,446) | (13,944) | (10,502) | 75.3% |
| Income Tax Expense (Benefit) | 6,622 | (3,136) | 9,758 | -311.2% |
| **Net Income (Loss)** | **($31,068)** | **($10,808)** | **($20,260)** | **187.5%** |
| *Basic Earnings (Loss) per Share (in dollars)* | *($5.67)* | *($1.98)* | *($3.69)* | *186.6%* |

### Regulatory Capital Ratios (Bank)

| | 12/31/2024 | 12/31/2023 | "Adequately Capitalized" Minimum | "Well Capitalized" Minimum |
|---|---|---|---|---|
| Tier 1 Leverage Ratio | 5.60% | 10.16% | 4.00% | 5.00% |
| Common Equity Tier 1 Ratio | 7.53% | 12.42% | 4.50% | 6.50% |
| Tier 1 Risk-Based Capital Ratio | 7.53% | 12.42% | 6.00% | 8.00% |
| Total Risk-Based Capital Ratio | 8.80% | 13.71% | 8.00% | 10.00% |

### Asset Quality

*($'s in thousands)*

| | 2024 | 2023 |
|---|---|---|
| Net Credit Charge-Offs | $50,064 | $0 |
| Allowance for Credit Losses to Loans % | 2.43% | 5.29% |
| Nonperforming Assets to Total Assets % | 2.11% | 2.42% |