


University Bancorp (NASDAQ –UNIB)

Strategic Plan

Stephen Lange Ranzini

President & CEO, University Bancorp

 (734) 741-5858 xt 226

 ranzini@university-bank.com

 www.university-bank.com/bancorp.htm

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Safe Harbor Statement

- ❑ Any prediction of the future is inherently not assured. Investors should read the risk factors listed on pages 21 to 23 in the Company's report on Form 10K for the year ended December 31, 2006 and any prediction in this release is intended to be covered by the Safe Harbor provisions of Section 21E of the Securities Exchange Act of 1934.



Overview of Company

- ❑ Bank holding company based in Ann Arbor, Michigan
 - Founded 1890 & Relocated 1996
- ❑ Owns 100% of University Bank
 - FDIC insured community bank
- ❑ Owns 80% of Midwest Loan Services
 - Mortgage subservicer to the Credit Union industry with \$4.4 billion in mortgages subserviced
- ❑ Owns 100% of University Insurance & Investment Services
 - Full-line Insurance Agency and Stock Brokerage Money Management services
- ❑ Owns 50.01% of University Lending Group
 - Conforming mortgage wholesaler specializing in HUD/VA and FNMA and FHLMC mortgages
- ❑ 4,244,378 shares of common stock
 - Board owns 63.03% of outstanding shares
 - Current Share Price \$2.00 (Symbol UNIB)
 - Current Market Capitalization, \$8.5 million
 - Trading volume averages 2,900 shares per day
 - 52 week range: High \$2.20; Low \$1.60

Strategy

- ❑ Innovate by finding profitable niches that have:
 - Reasonable Risk Reward Ratio
 - High Profitability
 - High ROE and High Return on Capital Invested
 - Barrier to entry or low competition
- ❑ Hire the best, highly experienced people we can
 - Stephen Lange Ranzini, President & CEO
 - Ed Burger, President of Midwest Loan Services
 - Marianne Thompson & Jess Monticello, Managers of University Lending Group, LLC
 - Edie Kingsley, President of University Insurance
- ❑ Strong internal audit & detailed financial disclosures

What's the Opportunity?

- One of the few ways to invest in the ongoing growth and success of the Credit Union industry
 - (Already a success but just scratching the surface)
- Opening up new large niche for Islamic Banking nationwide
 - Sharia'a compliant Mortgage Alternative Loan Transactions
 - Sharia'a compliant deposits
 - Sharia'a compliant mutual funds
- Build on a sound base of community banking
 - Traditional Lending (Mainly real estate secured)
 - Wholesale Lending (Focused on growing HUD deals)
 - Core Local Deposits
 - Insurance
 - Money Management

- ❑ What is mortgage subservicing?
- ❑ What does Midwest Loan Services do?
 - Mortgage subservicing
 - Mortgage origination
 - White label basis for life of relationship
- ❑ Low cost Michigan location
 - Competitive advantage due to low cost U.P. location
 - Competitive advantage due to Internet Extranet
 - Competitive advantage by always giving customers what they want
- ❑ Growth of Credit Union industry
- ❑ Growth of Midwest Loan Services



Growth of Midwest Loan Services

- ❑ Serves 2.6% of all U.S. Credit Unions
- ❑ Currently 2nd or 3rd Largest subservicer of Credit Unions in the Country
- ❑ Major Credit Union customers include:
 - 3 of top 25 CUs
 - Toyota, Baxter, Wright-Patt, Advancial (ATT Family), Safeway Rocky Mountain, Motorola, EDS
- ❑ Growth
 - 2002: Mortgages subserviced +66% to 8,372
 - 2003: Mortgages subserviced +77% to 13,764
 - 2004: Mortgages subserviced +21% to 16,751
 - 2005: Mortgages subserviced +48% to 24,720
 - 2006: Mortgages subserviced +30% to 32,561
 - 2007: Mortgages subserviced + 4% to 33,937
 - 2008: Mortgages subserviced currently \$4.4 billion

Midwest's Future Strategy

- ❑ Increase originations from existing CUs
 - Midwest is currently subservicing mortgages for over 250 credit unions that have over 1.6 million active members (20.4 million potential members). Since the average American relocates on average every 9 years, our credit unions' members represent a pool of over 175,000 new mortgages per year. We originated just a few hundred mortgage loans last year.
 - We don't have to advertise for new CUs (Word of Mouth is ALL that is Required)
- ❑ Cross-selling with University Lending Group
 - FHA Wholesale Originations
 - Only one other competitor in Credit Union industry
- ❑ Specialty Niche Subservicing:
 - Islamic consumers
 - Hispanic language consumers

Islamic Banking Initiative

- ❑ How did we get into this?
 - Management team and board are predominantly minorities
 - FDIC Outstanding Rating for Community Service & Community Reinvestment
 - We see an opportunity based on community need
- ❑ Background on *Sharia'a*
 - “O ye who believe! Devour not *riba*, doubled and multiplied, but fear Allah that ye may (really) prosper” *Quar'an* 3:130

Islamic Banking Niche (2)

- ❑ Mortgage Alternatives, Deposits & Mutual Funds
 - Zero to over \$20 million in MALTs. SHAPE Deposits of over \$20,000,000. Sweep access from brokerage accounts (Coming Soon).
 - Deal to sell Mutual Funds with 0.25% annual trailer fee

- ❑ Ramping up with nine full-time people from one part-time person
 - “Islamic Banker 101” training class system
 - FHLMC secondary market
 - Nationwide Third Party Originator Network (Wholesale) in Future
 - Midwest Loan Services Nationwide Subservicing Niche

Islamic Banking Niche (3)

- ❑ Near Term Goals:
 - \$20,000,000 additional MALTs on balance sheet will yield net profit margin of \$600,000 to \$800,000
 - \$20,000,000 additional SHAPE Deposits will yield net profit margin of \$200,000
- ❑ Each \$10,000,000 of MALTs sold to the secondary market will yield approx. \$50,000 of net fee income and \$21,500 of net fee income per year
- ❑ Each \$600,000 in net income increases our ROE by 10% per year
 - Off-balance sheet Tax Loss Carryforward = \$1.1mm



Core Community Banking

- ❑ A profitable base on which to add profitable niche products
- ❑ High Service Level under One Roof
 - Local Decision-Making
 - Our Customers Receive Personal Service and Attention
 - Competitive Pricing
 - All Financial Services Products Available
 - Low Fees
- ❑ Courier Network
- ❑ Full-commission deposit sales team
- ❑ Full-commission mortgage sales team



Wholesale Lending Opportunity

- ❑ University Lending Group is a HUD loan specialist
 - The collapse of the secondary market conduits has created opportunity for HUD lenders to gain market share
 - HUD lending has grown nationwide from 6% of new nationwide mortgage lending to 25% since June 2007
 - Few firms are expert in handling HUD mortgages
 - University Lending Group's management team is extremely experienced in HUD mortgage lending
 - 60% of volume expected to be HUD/VA
- ❑ Also expert in FNMA and FHLMC mortgage lending
 - 40% of volume expected to be FNMA/FHLMC
 - Additional volume of mortgage loans sold to these agencies will over time increase our "master commitment" rates that we earn
 - This will increase profit from all mortgage lending activities across all subsidiaries including University Bank, Midwest and UIFC
- ❑ Management team invested \$300,000 for 49.99% of University Lending Group
 - University Bank invested \$300,000 and has a preferred return on capital employed of 15%
 - University Bank also is providing warehouse line

Internet & Electronic Payments

- ❑ Now exploring future growth possibilities
- ❑ Why get involved?
 - Low capital required
 - Recurring fee income
 - Low risk if done with correct controls and security
 - High automation
- ❑ Rapid technological change due to impact of Internet leads to opportunity

□ Why are we approached?

- Outgrowth of a past \$750,000 investment by Michigan Business Development Company.
- We are active in U.S. and Int'l banking industry standards activities:
 - U.S. Delegate to United Nations CEFAC TFG5 (Finance) the int'l XML standards group
 - U.S. Delegate to ISO TC 68 (global ISO financial services standards setting committee)
 - Member, Board of Directors of ASC ANSI-X9 (USA ISO affiliate for financial services)
 - Member, NACHA's Electronic Billing Information Delivery System (EBIDS) Project, XML-enabling the U.S. ACH system
 - Member, FSTC Security Committee
 - Member, Southeast Michigan Healthcare Information Exchange

What can we do for clients?

- Implementation through University Bank
- Examples:
 - MedCash Manager
 - Federal Reserve Bank's EBIDS online billpay
- Consulting for fees

□ Potential impact on bottom line

- Increased deposits
- Increased fee income
- Minimal additional expenses
- Decreased costs to serve customers in a more convenient way