

University Bancorp Valuation
(In \$ Millions)

	Ownership	Pre-tax		Metric	Multiplier	Value Above		Net Gain	Notes
		Income	2018 Value			Book Value	Tax		
Midwest Loan Services -subservicing	100%	2.53	4.10	P/Pre-tax Income	15.00	37.88	-7.95	29.92	See #1 below
Escrow deposits controlled	100%	3.25	273.00	Deposits	0.07	19.38	-4.07	15.31	See #7 below
Community Banking	100%	1.23	18.55	Deposits	0.07	1.32	-0.28	1.04	See #2 below
University Lending Group	100%	-1.95	10.05	P/Book	1.00	0.00	0.00	0.00	See #3 below
UIF (Faith Based Lending)	80%	1.30	15.93	P/Book	1.50	6.37	-1.34	5.03	See #4 below
Midwest Loan Solutions -origination	100%	-2.69	8.88	P/Book	1.00	0.00	0.00	0.00	See #5 below
Insurance Agency	100%	-0.08	0.16	EBITDA	10.86	1.69	-0.36	1.34	See #6 below
GNMA License	100%		0.50	Per License	1.00	0.50	-0.11	0.40	See #8 below
Subtotal Value Adj. Bank		3.578				67.14	-14.10	53.04	
Bank Equity			24.36						
Holding Company net cash			5.83						
Holding Company preferred stock			-5.08						
Grand Total Value Bank						80.58		66.48	

Shares of Common Stock 5,204,899
Value Per Share, assuming fully taxed \$12.77
Value Per Share, as is \$15.48

This assumes each subsidiary is sold separately, with a capital gains tax on each sale.

This is the current estimated private market value of the entire firm, or the current estimated value if sold as a whole.

Net Income Per Share, 2018 Actual \$0.43

2018 results negatively impacted by start-up costs at Midwest Loan Solutions & cyclical downturn at ULG.

Net Income Per Share, 2019 Estimated \$0.63

This is our current estimate of net income per share for 2019.

Net Income Per Share, 2019 Budget \$1.23

This was our original budget forecast for 2019.

#1 Midwest Valuation Notes:

A multiplier of 20x might be possible, which would boost value per share by \$2.43 (\$1.92 fully taxed). 10x is -\$2.43 (-\$1.91 fully taxed). EBIT, including interest income earned on escrows, is currently running at \$6mm per year.

#2 Community Banking

Retail deposit transactions in the Midwest were priced at a 7.1% deposit premium during 1H2019.

#3 University Lending Group Notes:

While the business is probably worth more than book value since it's return on equity until 2018 was consistently high, losses were incurred in 2018 and 2019, though there was profit prior to warehouse lending costs paid to University Bank. The business has an FHA license worth \$500,000.

#4 UIF Notes:

The scarcity value of these types of entities cannot be underestimated. A multiplier of 20x might be possible, which would boost value per share by \$2.66 per share (\$2.09 fully taxed).

#5 Midwest Loan Solutions

The business is still in start-up mode

#6 Insurance Agency

Transactions involving small insurance agencies were priced at 10.86x EBITDA in 2018.

#7 Unused escrow deposits

Zero cost mortgage escrow deposits under long term contract related to Midwest Loan Services. Valued at 7.1%, the average deposit premium paid for Midwest banks in 1H2019.

#8 GNMA License

Midwest Loan Solutions has a GNMA license worth \$500,000. See #3. The license is currently used for securitization of ULG originations and the income is included there.

Data as of July 1, 2019