

# University Bancorp & University Bank

Investor Presentation

**Stephen Lange Ranzini**

President & CEO, University Bancorp

 (734) 741-5858 ext 9226

 [ranzini@university-bank.com](mailto:ranzini@university-bank.com)

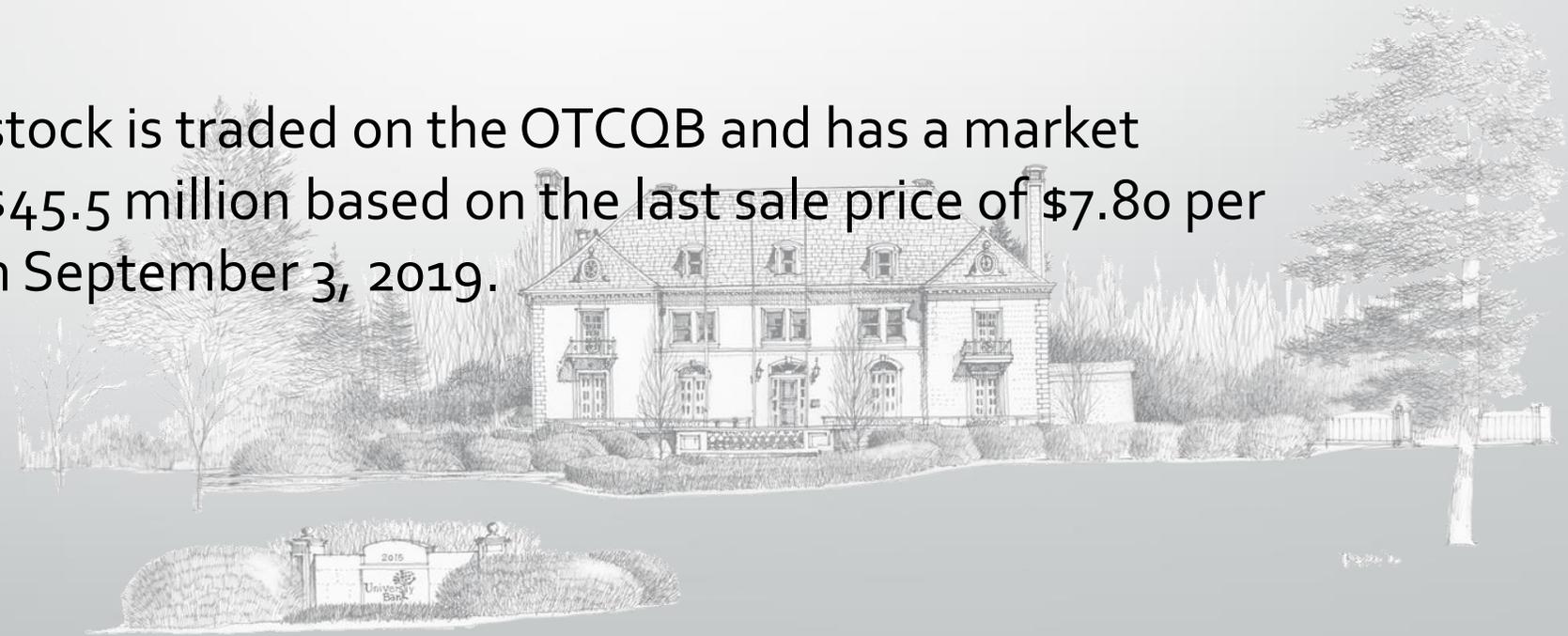
 [www.university-bank.com/bancorp.htm](http://www.university-bank.com/bancorp.htm)



September | 2019

# About University Bancorp

- University Bancorp, Inc. (UNIB) is the holding company for University Bank, an Ann Arbor based community bank with \$325 million in assets.
- UNIB has \$30.3 million in book equity capital, \$4.87 per common share at June 30, 2019.
- UNIB's common stock is traded on the OTCQB and has a market capitalization of \$45.5 million based on the last sale price of \$7.80 per common share on September 3, 2019.



# Our Business Model

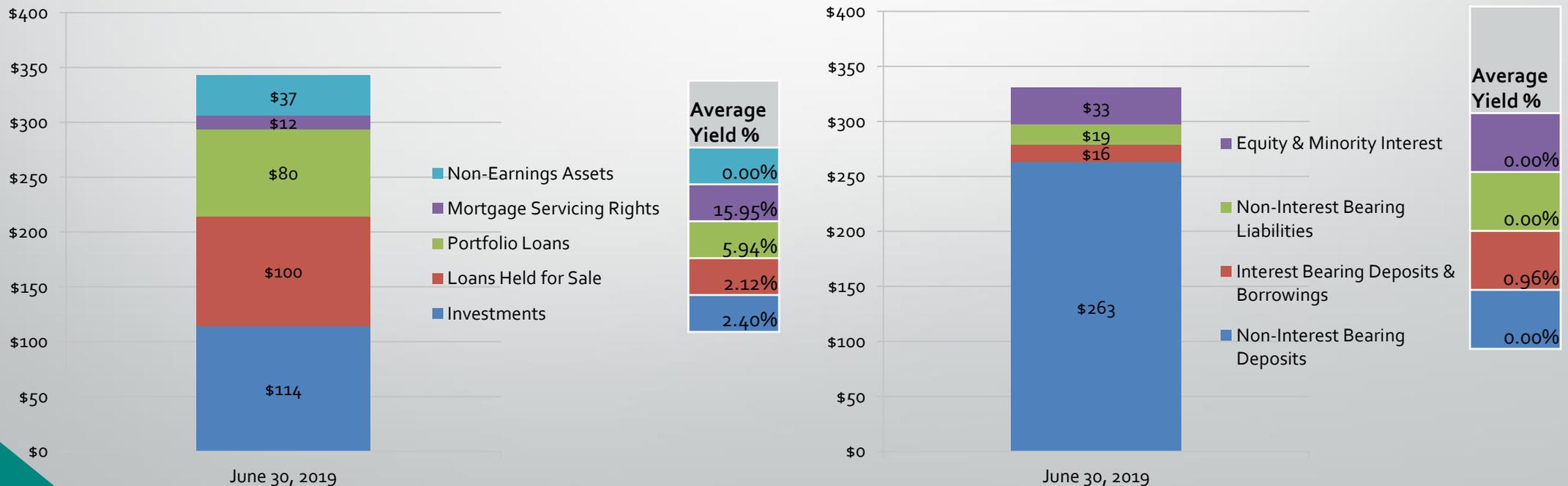
- University's business model includes substantial mortgage loan subservicing and loan origination operations combined with traditional community banking.
- University currently services over \$23.5 billion in mortgage loans and is on pace to originate over \$1.0 billion in mortgages this year.
- Our mortgage subservicing unit is endorsed by the American Banker Association's CAB division.

# What Our Business Model Provides

- Our business model provides UNIB with a low cost of funds which we believe to be an important competitive advantage compared with traditional banks.
- Our mortgage subservicing business currently generates an average monthly balance of \$332 million of non-interest bearing escrow deposits.
- As a result our overall cost of funds is *5 basis points*. UNIB uses these low cost funds to finance its own internal monthly residential mortgage loan origination pipeline.
- The loans and financings held for sale or assignment on our balance sheet are delivered monthly as originated loans are sold into the secondary markets.

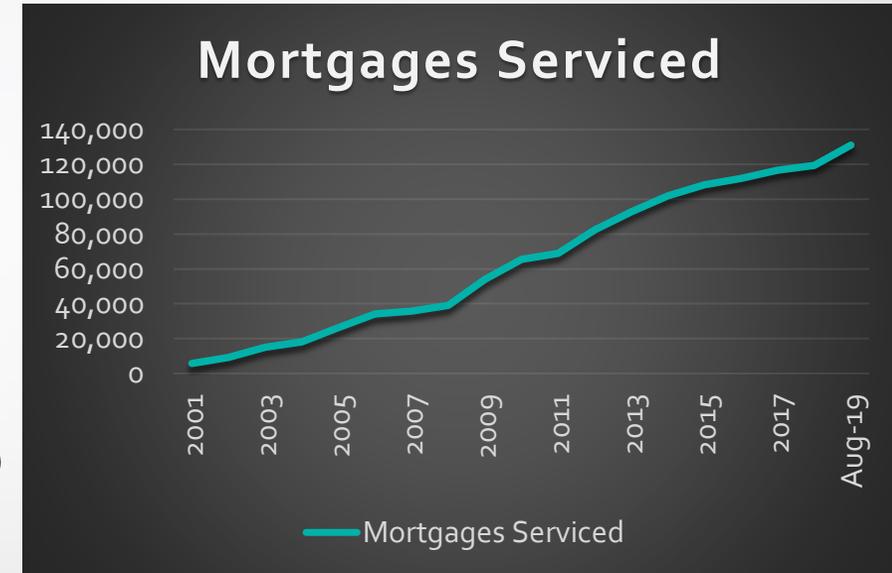
# Our Balance Sheet Breakdown

- This model combines stable low cost funding, with high yielding, high quality, short duration assets.
- Our balance sheet also includes a retained portfolio of loans and financings together with a modest amount of traditional deposits.



# Why University Bancorp? – *Rapid Growth*

- With just 0.25% market share of the \$9.4 trillion in outstanding mortgage loans in the U.S., we believe our mortgage loan servicing business is highly scalable and offers a base of recurring earnings.
- We believe there are excellent opportunities to grow our market share of mortgage loan originations. We have \$150 million in off-balance sheet deposits not yet being used for mortgage originations now available for use.
- Over the past 10 years our revenue has increased 4.25 times. Our 5 Year Average ROE is 19.3%.



# UNIB's Key Business Lines

## Mortgage Subservicing:

- Midwest Loan Services
  - Subservices 131,000 loans with \$23.5 billion UPB
  - Diverse client base of 383 Credit Unions, Community Banks & Independent Mortgage Banking Firms
  - Contributed \$5.78 million of EBIT in 2018.

## Mortgage Originations:

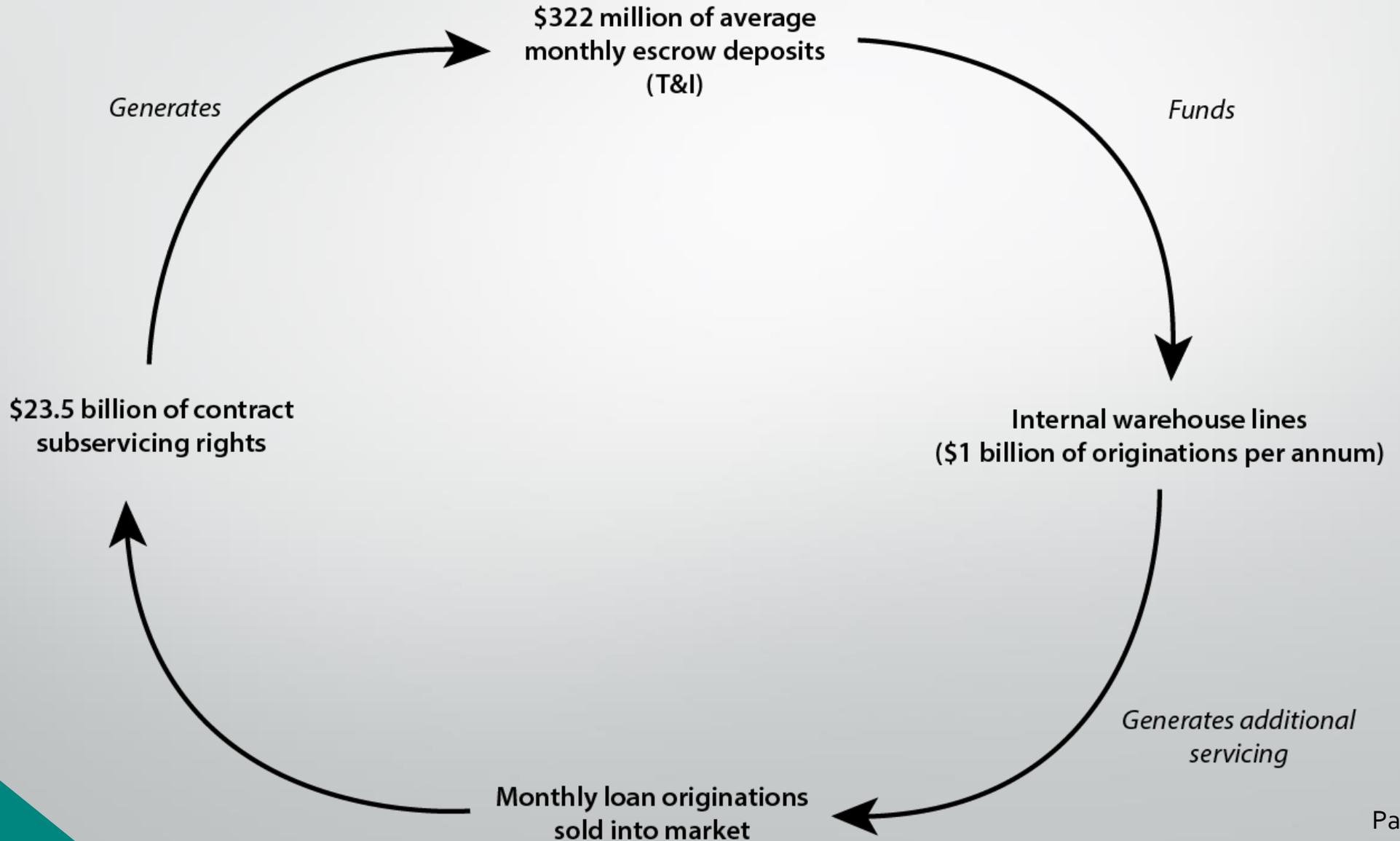
- University Lending Group
  - Government, Conventional & HELOC Mortgage Origination
  - #1 Residential Lender in Washtenaw County (Ann Arbor), Michigan
  - Tied for #1 Residential Lender in Florida Panhandle
  - Originated \$548mm in 2018, 95% Purchase Transaction Originations
  - Contributed \$0.1 million in EBIT in 2018

# UNIB's Key Business Lines

## Mortgage Originations - continued:

- UIF Corporation
  - Faith Based Mortgage Origination
  - Originated \$245mm in 2018, 91% Purchase Transaction Originations
  - Contributed \$2.5 million in EBIT in 2018
- American Mortgage Solutions
  - Wholesale Third Party Originations & Warehouse Lending
  - Recruited key sales and operations team from Flagstar Bank
  - Rebooted in May 2019; lost \$0.9 million in 2018

# Virtuous Cycle of Funding Advantage



# Industry Awards

- U.S. Banker Magazine's "Community Bankers of the Year" in 2006
- Recipient of the American Bankers Association's 2009 "Community Bankers of the Year" Award
- FDIC "Outstanding" rating for Community Service & Community Reinvestment, 2003-2009
- As of 8/31/2019, University Bank's 475 employees were managing \$24.0 billion in financial assets for 136,000 customers.

# Questions?

- FAQ list at [www.university-bank.com/bancorp.htm](http://www.university-bank.com/bancorp.htm)
  - Press Releases
  - Newspaper & Magazine Articles
  - Comprehensive Data
- Contact me:

Stephen Lange Ranzini, President & CEO:

☎ (734) 741-5858 xt 9226

✉ [ranzini@university-bank.com](mailto:ranzini@university-bank.com)

**CAUTIONARY STATEMENT:** *This Executive Summary contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning future growth in loan origination and servicing, revenues and income, cost of funds, the sustainability of past results, mortgage origination levels, and other expectations and/or goals. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, economic, competitive, governmental and technological factors affecting our operations, markets, products, services, interest rates and fees for services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Executive Summary.*