

University Bancorp & University Bank

Investor Presentation

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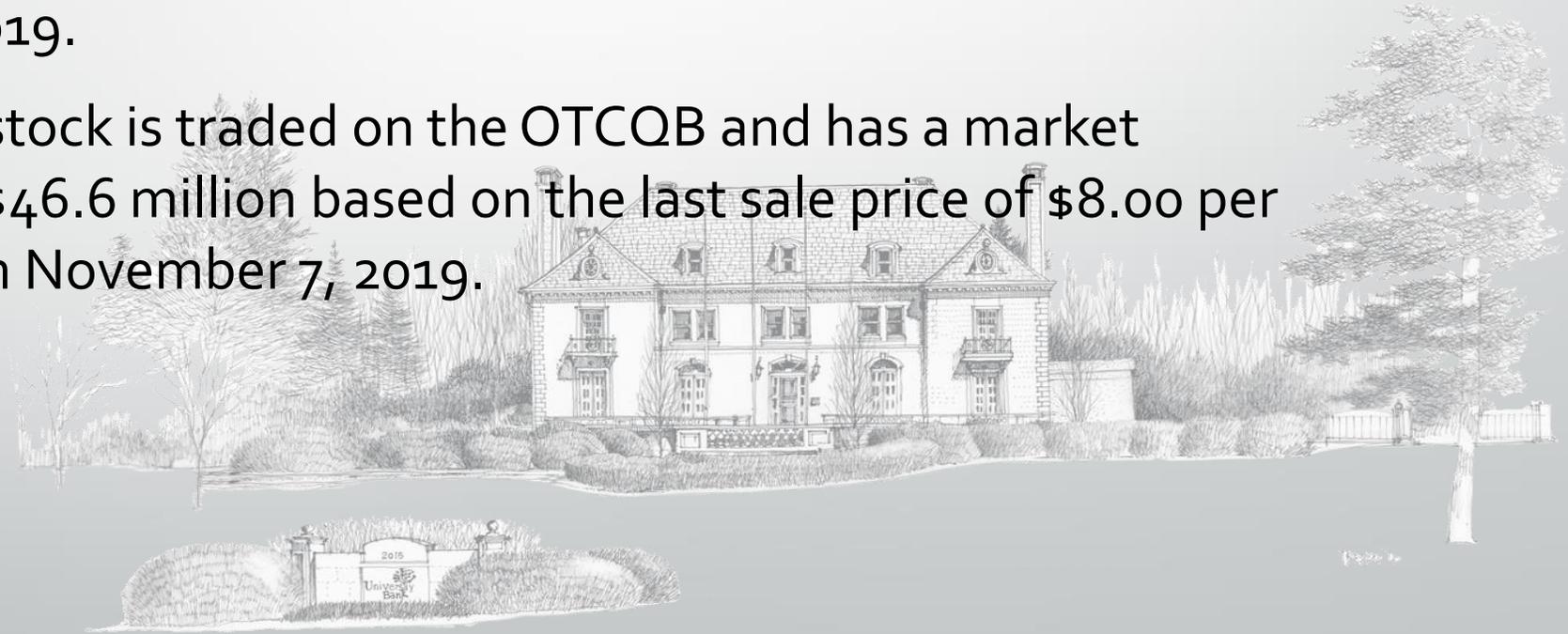
🖥 www.university-bank.com/bancorp.htm



November 2019

About University Bancorp

- University Bancorp, Inc. (UNIB) is the holding company for University Bank, an Ann Arbor based community bank with \$383 million in assets.
- UNIB has \$32.7 million in book equity capital, \$5.24 per common share at September 30, 2019.
- UNIB's common stock is traded on the OTCQB and has a market capitalization of \$46.6 million based on the last sale price of \$8.00 per common share on November 7, 2019.



Our Business Model

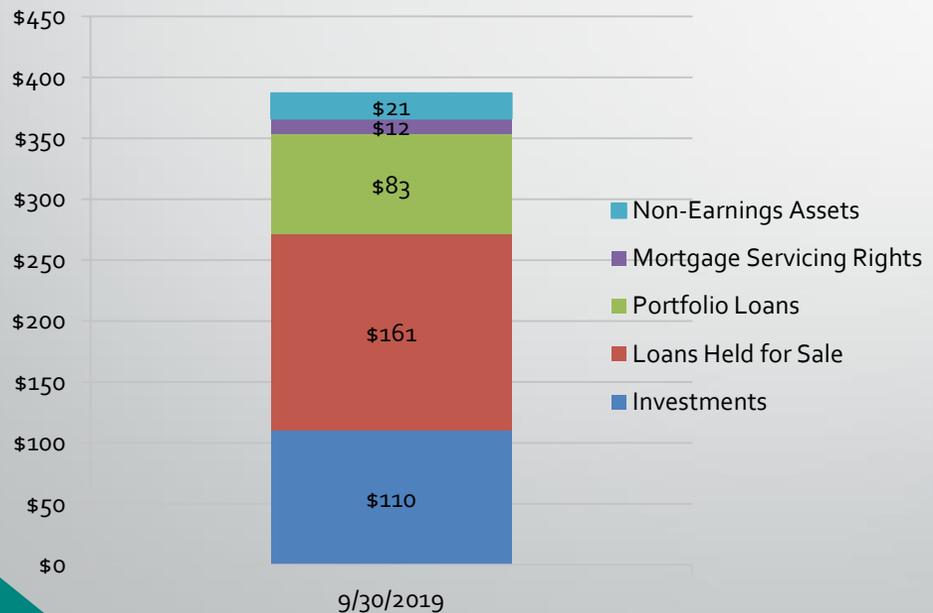
- University's business model includes substantial mortgage loan subservicing and loan origination operations combined with traditional community banking.
- University currently services over \$24 billion in mortgage loans and is on pace to originate over \$1.2 billion in mortgages this year.
- Our mortgage subservicing unit is endorsed by the American Banker Association's CAB division.

What Our Business Model Provides

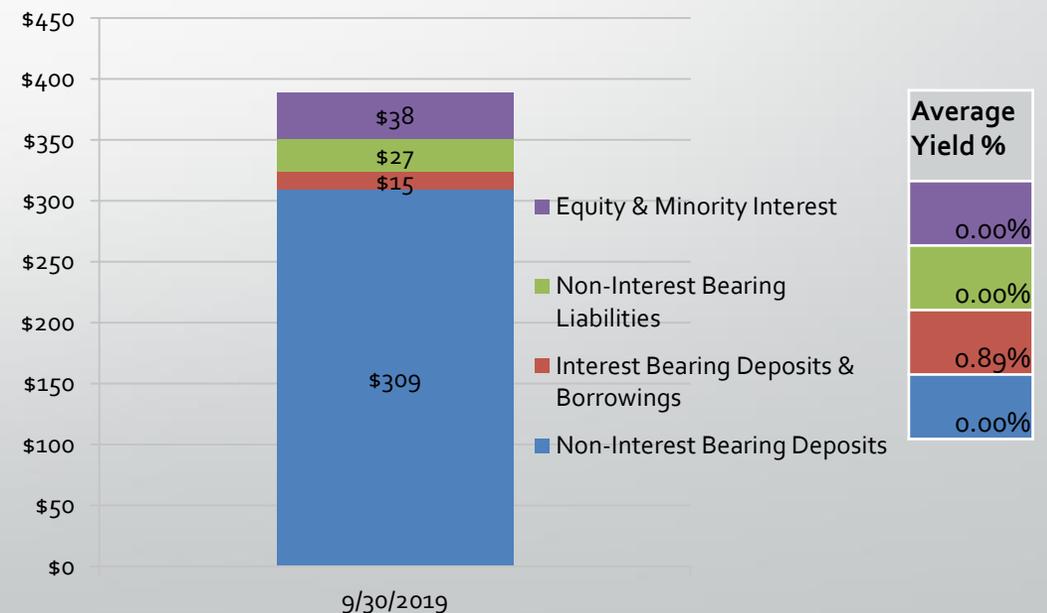
- Our business model provides UNIB with a low cost of funds which we believe to be an important competitive advantage compared with traditional banks.
- Our mortgage subservicing business currently generates an average monthly balance of \$329 million of non-interest bearing escrow deposits.
- As a result 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.



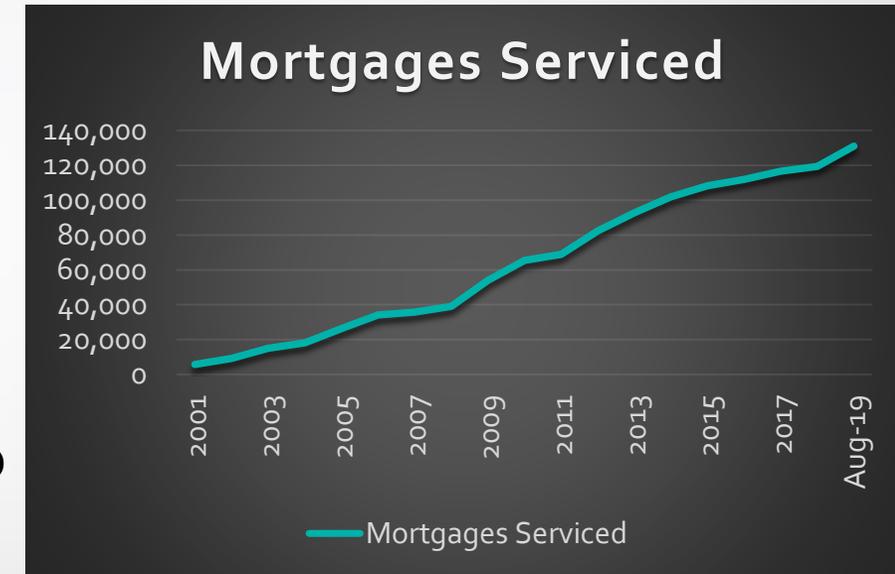
Average Yield %
0.00%
15.40%
5.70%
1.85%
2.62%



Average Yield %
0.00%
0.00%
0.89%
0.00%

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 \$110 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 4.63 times, or 36.4% per year. Our 5 Year Average ROE is 20.3%.



UNIB's Key Business Lines

Mortgage Subservicing:

- Midwest Loan Services
 - Subservices 134,000 loans with \$24 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:

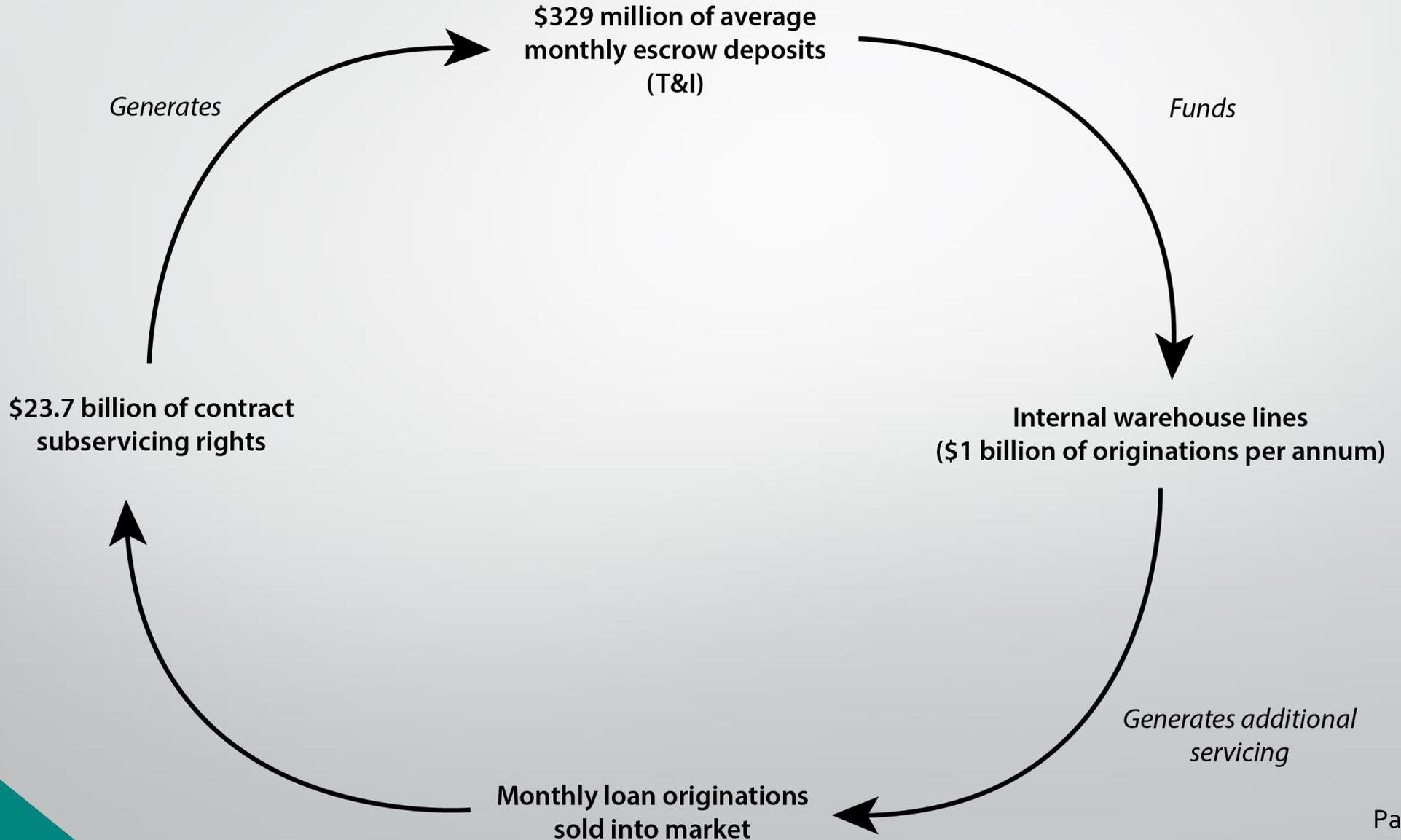
- University Lending Group
 - Government, Conventional & HELOC Mortgage Origination
 - #1 Residential Lender with local offices in Washtenaw County (Ann Arbor), Michigan
 - Tied for #1 Residential Lender in Florida Panhandle
 - Originated \$548mm in 2018, 95% Purchase Transaction Originations
 - Contributed \$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
- We see an unique window of opportunity under the current regulatory regime of growing our business into additional adjacent product segments, each of which has a high return on capital.
- Our intermediate term goal is to grow mortgage originations to \$5 billion per year and to grow the bank's balance sheet to \$1 billion in assets.

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 9/30/2019, University Bank's 473 employees were managing over \$24.0 billion in financial assets for over 137,000 customers.

Valuation

- Midwest's earnings "run rate" in 2019 is \$6.45 million pre-tax or \$5.1 million after-tax. This is \$0.98 per share. In 2020 the run rate is expected to be more than \$5.4 million after-tax, at more than \$1.04 per share per annum.
- Midwest's business uses \$5 million of capital, leaving \$27.7 million of capital allocated to the rest of our business units. These businesses have the ability to earn \$4 million to \$5 million annually after-tax, based on their current sales force, product mix and industry margins.
 - However, over the 12 months to June 30, 2019 because of the start-up expense of the AMS reboot, HVF deal, MSR write-downs due to the sharp fall in 10-year Treasury interest rates, and other business expansion efforts, these businesses contributed no earnings to the Bank during those four quarters.
 - For the quarter ended 9/30/2019, UNIB had net income of \$2.24 million, or \$0.42 per share.
 - Midwest contributed \$1.387 million in net income during the quarter.
 - Non-Midwest businesses contributed \$0.853 during the quarter, with AMS approaching but not yet achieving break-even results.
- Based on the current valuation of \$46.6 million, subtracting out the \$27.7 million allocated to the non-Midwest businesses assuming pessimistically they are only worth "book value", investors are paying just \$18.9 million or 3.7x net income for Midwest, a business that is growing rapidly.
- Based on the current valuation of \$46.6 million, investors are paying just 5.2x the annualized 3Q2019 net income for UNIB or 5.2x the 2020 minimum projected net income of \$9 million.

Questions?

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

Stephen Lange Ranzini, President & CEO:

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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.*