


University Bancorp & University Bank

Investor Presentation

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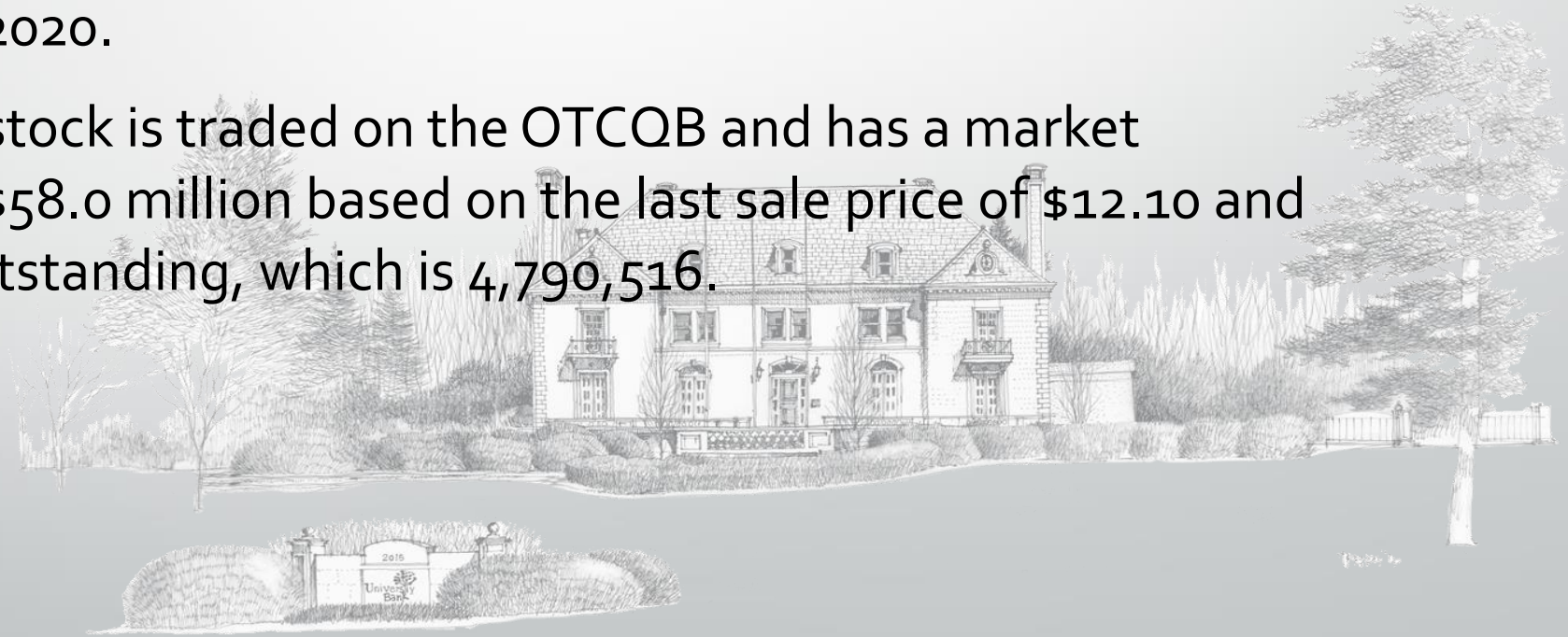
 www.university-bank.com/bancorp.htm



June 2020

About University Bancorp

- University Bancorp, Inc. (UNIB) is the holding company for University Bank, an Ann Arbor based community bank with \$612.7 million in assets.
- UNIB has \$48.6 million in book equity capital, \$9.33 per common share at September 30th, 2020.
- UNIB's common stock is traded on the OTCQB and has a market capitalization of \$58.0 million based on the last sale price of \$12.10 and current shares outstanding, which is 4,790,516.



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 \$29.7 billion in mortgage loans and have already exceeded \$1.7 billion in originations year-to-date.
- Our mortgage subservicing unit is endorsed by the American Banker Association's CAB division.

What Our Business Model Provides

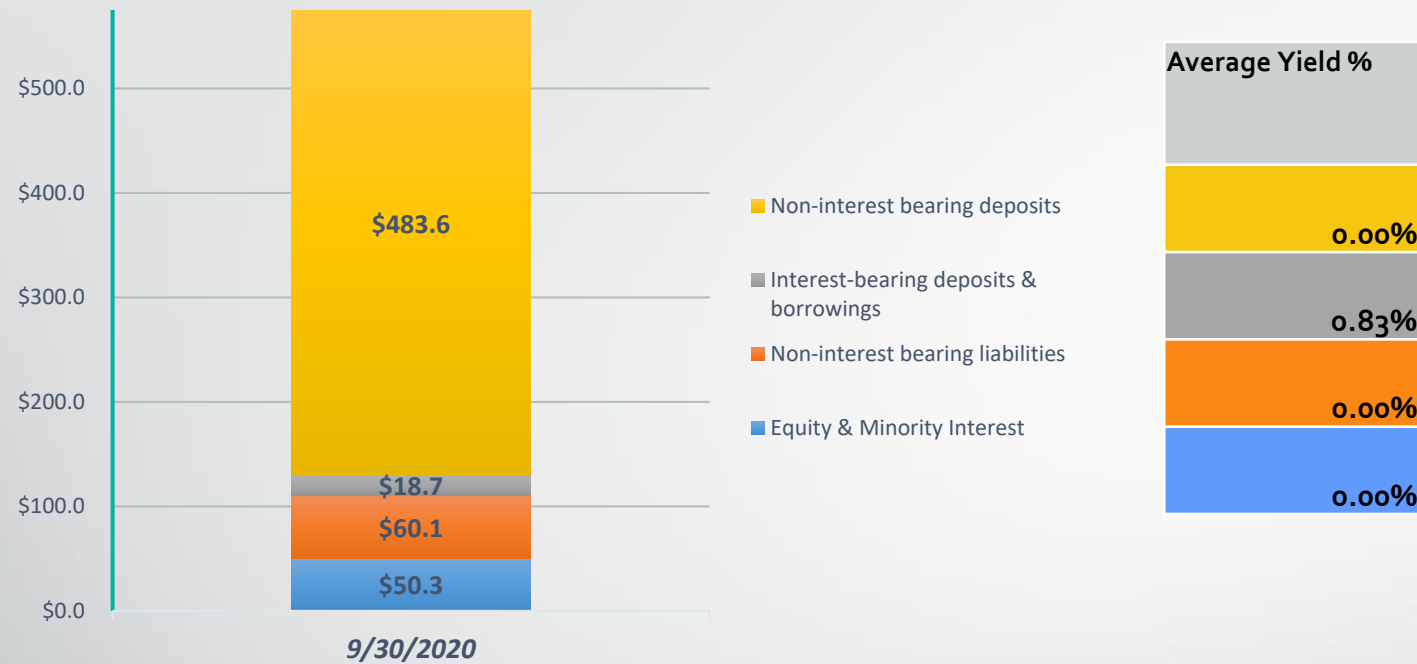
- Our business model provides UNIB with a low cost of funds which we believe to be an important competitive advantage compared with traditional banks.
- Our mortgage subservicing business currently generates an average monthly balance of \$548.8 million of non-interest bearing escrow deposits.
- As a result our overall cost of funds is *4 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 - Assets



- Originations of both portfolio and loans available for sale have fueled an overall asset growth of 58.5% YoY.
- Economic conditions as a result of COVID 19 and a rapid fall in interest rates led to a large write down in the value of Mortgage Servicing Rights in the 1st and 2nd quarter of 2020, stabilizing in the 3rd quarter.

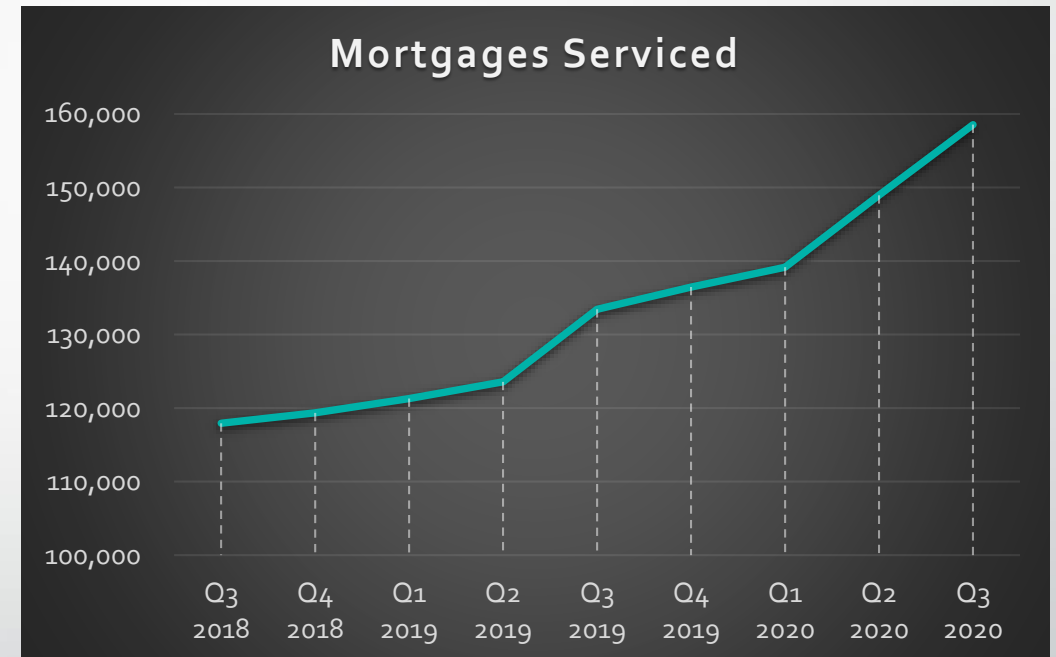
Our Balance Sheet Breakdown - Liabilities



- UNIB's low cost of funds allows us to generate growth without utilizing outside financing and other debt instruments.
- The non-interest bearing deposits relate to mortgage servicing activity and fund the day to day operations of UNIB.

Mortgage Servicing – Fueling Growth

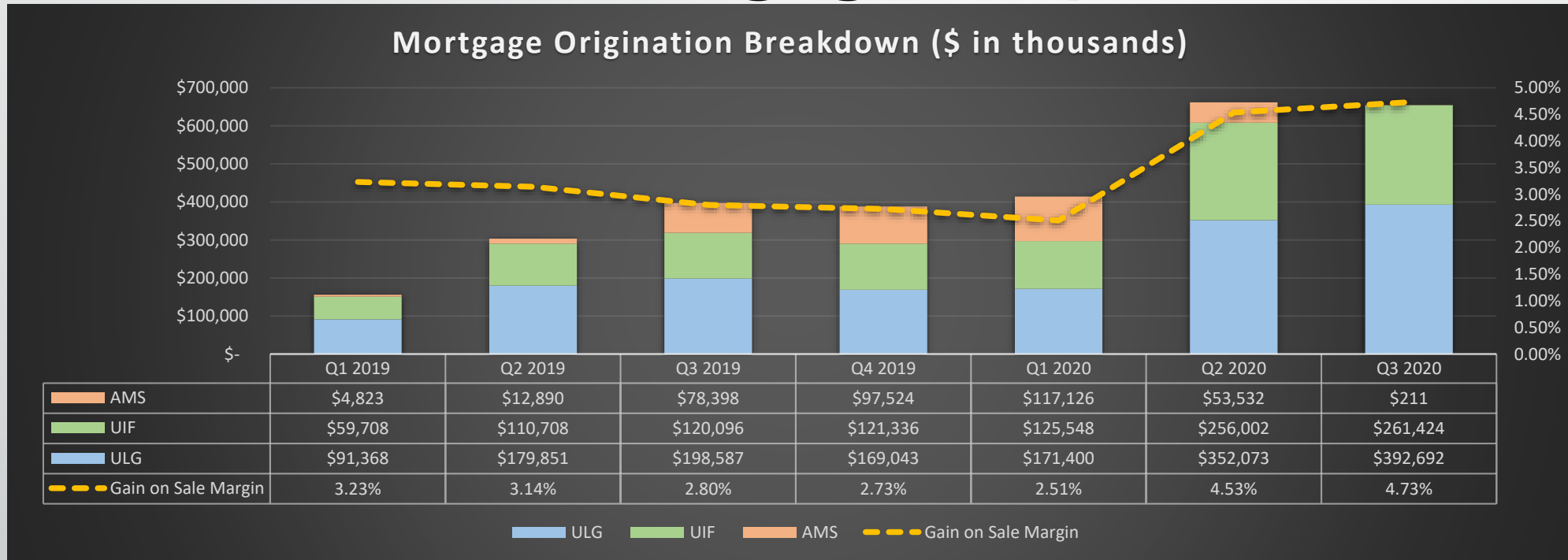
- The increase in internal originations and organic growth of our sub-servicing clients has led our sub-servicing book to grow 19% from Q3 2019 – Q3 2020.
- Our mortgage servicing business has an estimated 0.20% market share of approx. \$15 trillion of outstanding mortgage debt. We believe this represents an incredible opportunity to grow and create a stable profit source for UNIB as well as hedge against mortgage market volatility.
- Mortgage Servicing contributed \$4.5MM in Pre-Tax Income through Q3 2020. Our unique structure allows us to benefit from these custodial deposits, which are held off-balance sheet, providing additional liquidity and funds to grow.



UNIB's Mortgage Origination Channels

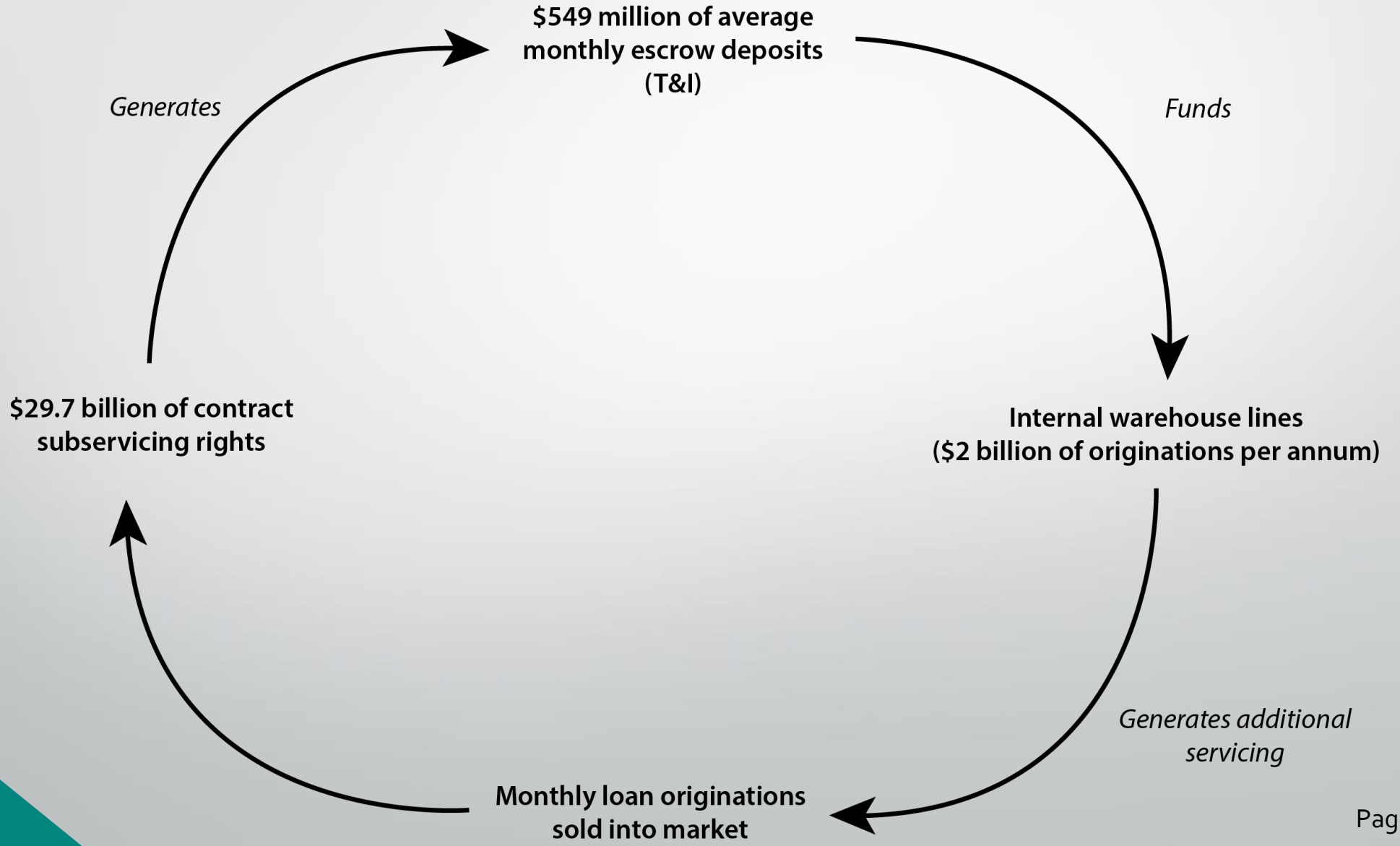
- University Lending Group ("ULG")
 - Government, Conventional & HELOC Mortgage Origination
 - #1 Residential Lender with local offices in Washtenaw County (Ann Arbor), Michigan
 - Tied for #1 Residential Lender in Florida Panhandle
 - Originated \$638mm in 2019 and has originated \$916mm through 3rd quarter 2020.
 - Contributed \$15.7 million in EBIT through 3rd quarter 2020.
- UIF Corporation ("UIF")
 - Faith Based Mortgage Origination
 - Originated \$411mm in 2019 and has originated \$643mm through 3rd quarter 2020.
 - Contributed \$18 million in EBIT through the 3rd quarter 2020.

UNIB's Retail Mortgage – A proven model



- Through strategic personnel acquisitions and organic growth our retail mortgage units have delivered exceptional growth.
 - 2020 3rd quarter year-to-date originations have increased 102% from the same period in 2019.
- Overall secondary market tailwinds and improvements to our capital markets execution strategy have propelled our average Gain on Sale to a high of 4.73%.

Virtuous Cycle of Funding Advantage



A Long Track Record of Excellence

- 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 9/30/2020, University Bank's 500+ employees were managing over \$30.5 billion in financial assets for over 163,000 customers.

Valuation

- YTD through 9/30/2020, UNIB had net income of \$20.0 million, or \$3.85 per share.
 - Midwest contributed \$1.75 million in pre-tax income during the quarter.
- Midwest's earnings "run rate" is currently \$7.0 million pre-tax per year. This is \$1.46 per share.
- Midwest's business uses \$5 million of capital, leaving \$43.6 million of capital allocated to the rest of our business units. This is \$9.10 per share. We target a minimum of 20% ROE on our investments in business units.
 - These businesses have the ability to earn a minimum of \$4 million to \$5 million annually after-tax, based on their current sales force, product mix and assuming low cycle industry margins.

Questions?

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

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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.*