

University Bancorp & University Bank

Investor Presentation

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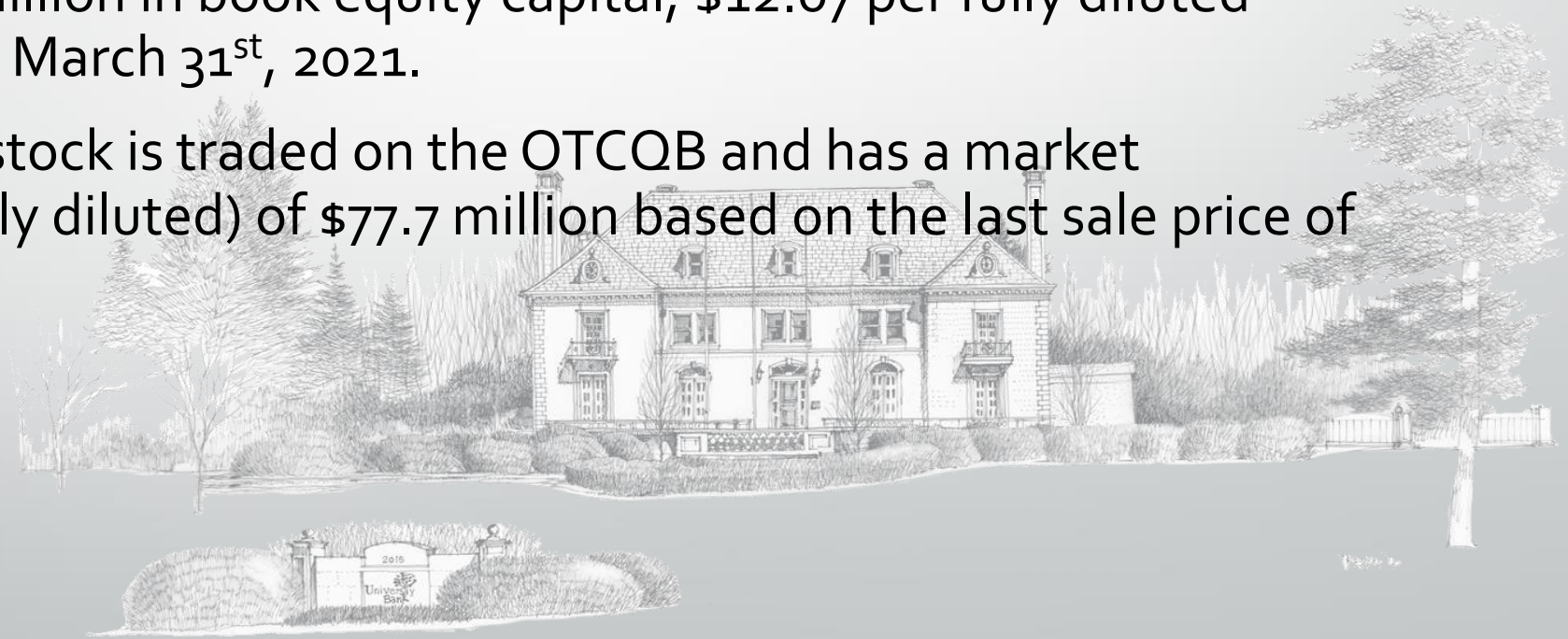
🌐 www.university-bank.com/bancorp.htm



March 2021

About University Bancorp

- University Bancorp, Inc. (UNIB) is the holding company for University Bank, an Ann Arbor based community bank with \$653 million in assets as of March 31st, 2021.
- UNIB has \$63.6 million in book equity capital, \$12.07 per fully diluted common share at March 31st, 2021.
- UNIB's common stock is traded on the OTCQB and has a market capitalization (fully diluted) of \$77.7 million based on the last sale price of \$14.75.



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 \$34.3 billion in mortgage loans and have originated \$549 million mortgages through the 1st quarter of 2021.
- Our mortgage subservicing unit is endorsed by the American Banker Association's CAB division.

What Our Business Model Provides

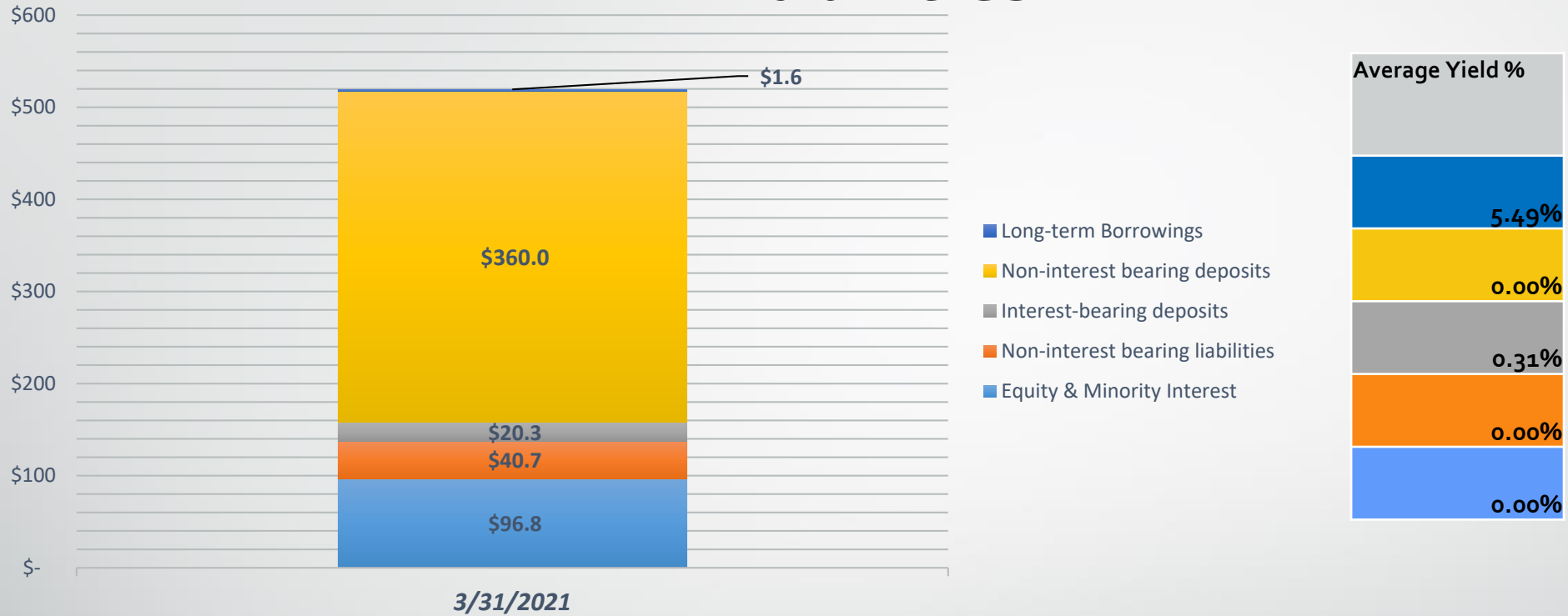
- Our business model provides UNIB with a low cost of funds which we believe to be an important competitive advantage compared with traditional banks.
- Our mortgage subservicing business currently generates an average monthly balance of \$548.8 million of non-interest bearing escrow deposits.
- As a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



- Total Assets grew 19% from Q4 2020 through Q1 2021. The increase was primarily driven by an increase in portfolio originations (Commercial, Residential Real Estate & Home Equity), continued MSR production, and an increase in servicing deposits (interest-earning deposits).
- Improving economic conditions including stabilizing to increasing rates, slower prepayment speeds & lower average costs of servicing saw the Fair-Market-Value of our MSR portfolio increase over the quarter. New Servicing capitalization rate increased over the quarter.

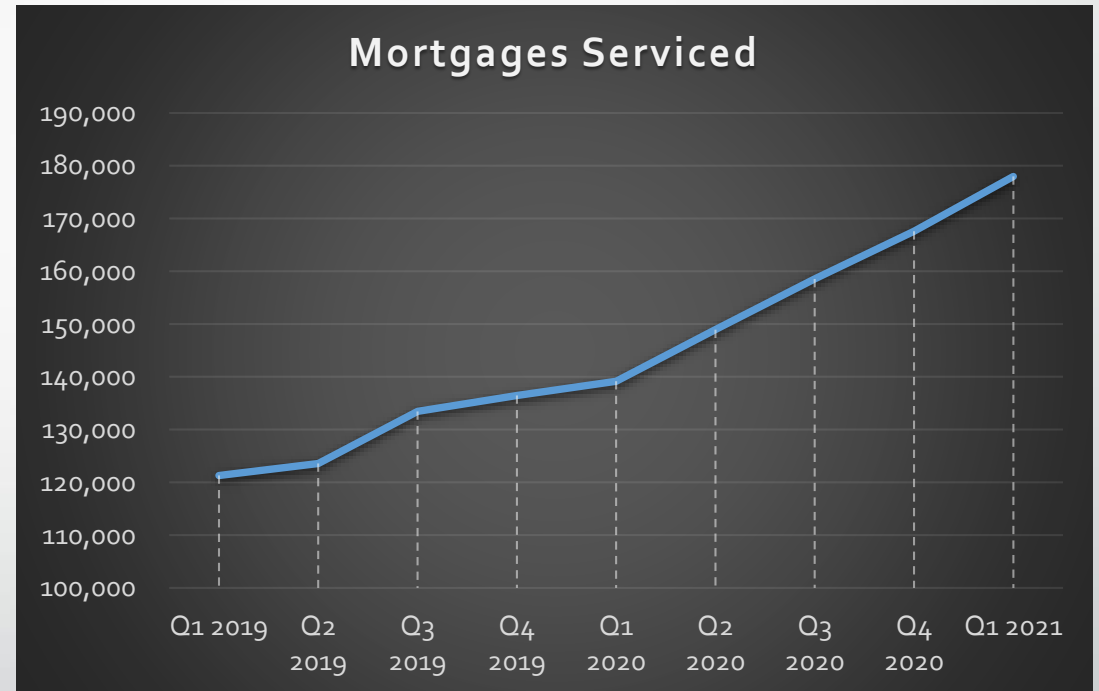
Our Balance Sheet Breakdown – Average Liabilities



- 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 and origination activity and fund the day to day operations of UNIB.

Mortgage Servicing – Fueling Growth

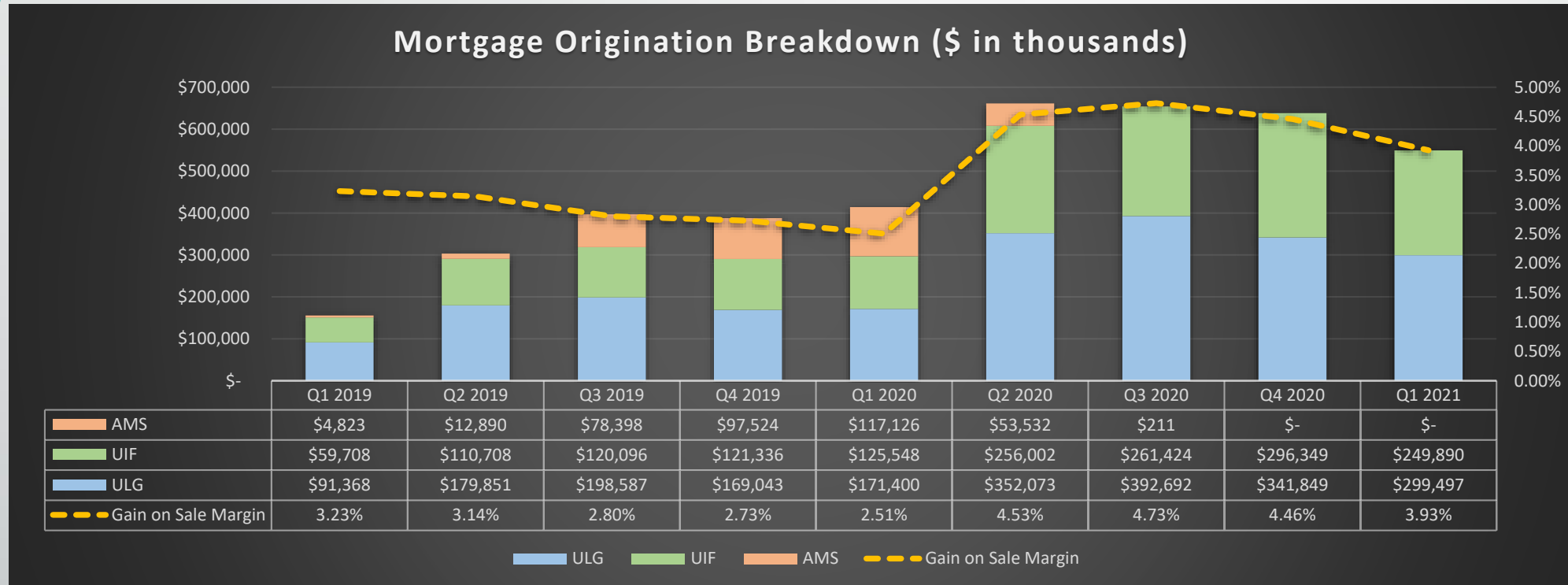
- The increase in internal originations and organic growth of our sub-servicing clients has led our servicing book to grow 28% from Q1 2020 – Q1 2021.
- Our mortgage servicing business has an estimated 0.23% market share of approx. \$15 trillion of outstanding mortgage debt. We believe this represents an incredible opportunity to grow and create a stable profit source for UNIB as well as hedge against mortgage market volatility.
- Mortgage Servicing contributed \$2.2MM in Pre-Tax Income year-to-date 2021. 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

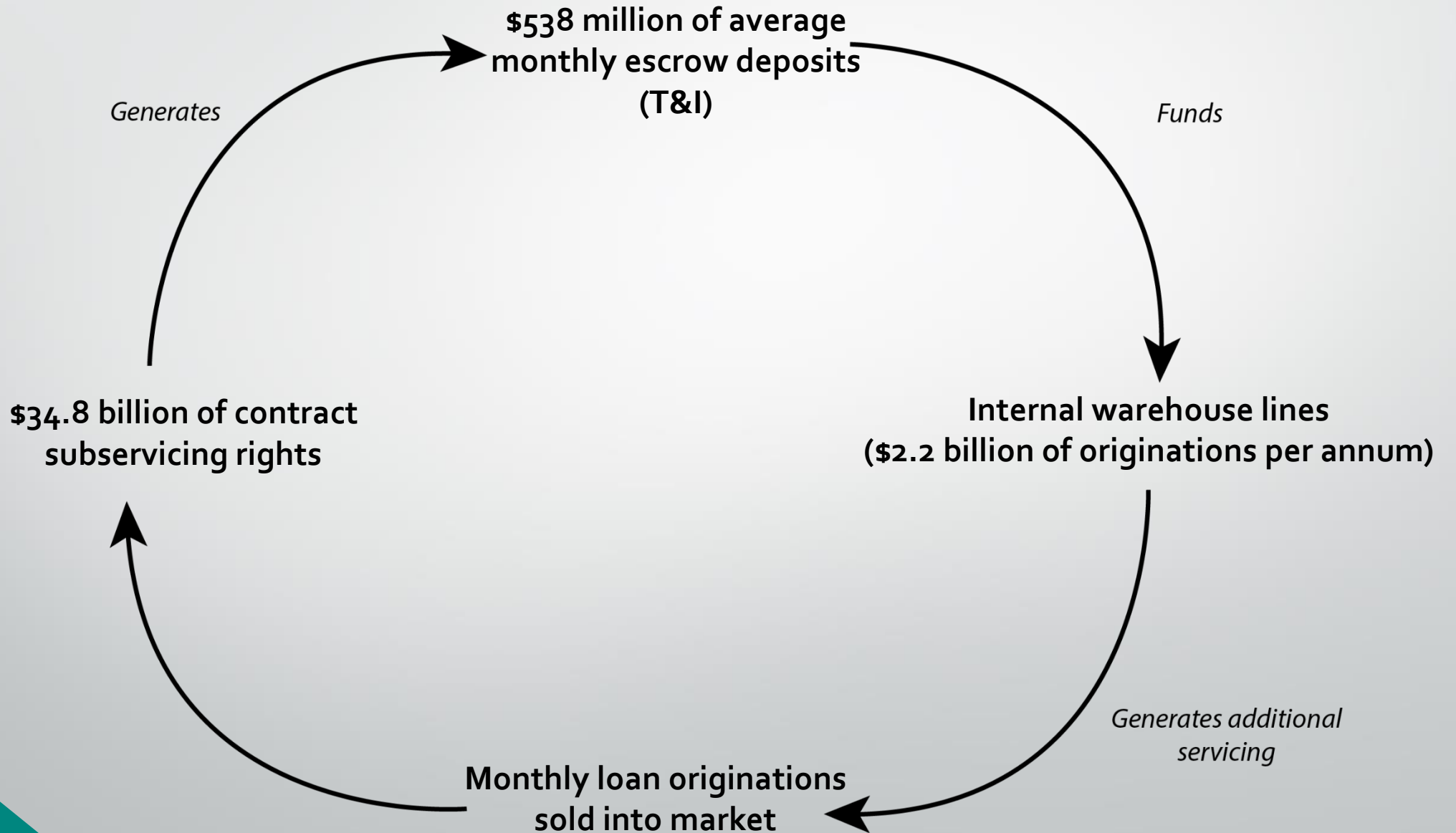
- University Lending Group (“ULG”)
 - Government, Conventional & HELOC Mortgage Origination
 - #1 Residential Lender with local offices in Washtenaw County (Ann Arbor), Michigan
 - Tied for #1 Residential Lender in Florida Panhandle
 - Originated \$299mm mortgages in Q1 2021, a 75% increase over the same period in 2020.
 - Contributed \$2.4 million in EBIT in Q1 2021, excluding any activity related to Mortgage Servicing Rights (“MSRs”).
 - Launched the New 1st position Smart HELOC product, originating more than \$5mm year-to-date.
- UIF Corporation (“UIF”)
 - Faith Based Mortgage Origination
 - Originated \$250mm mortgages in Q1 2021, a 99% increase over the same period in 2020.
 - Contributed \$4 million in EBIT in Q1 2021, excluding any activity related to MSRs and commercial & portfolio operations.

UNIB's Retail Mortgage – A proven model



- Mortgage Originations grew 33% from Q1 2020 to Q1 2021.

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 3/31/2021, University Bank's 500+ employees were managing over \$34.0 billion in financial assets for over 182,000 customers.

Valuation – Midwest Loan Servicing

- Midwest's earnings "run rate" through the 1st quarter of 2021 is \$8.4 million pre-tax per year. This is \$1.77 per share.
- Midwest's business uses \$5 million of capital, leaving \$58.6 million of capital allocated to the rest of our business units. These businesses have the ability to earn more than \$21 million annually after-tax, based on their current sales force, product mix and industry margins.
 - For the quarter ended 3/31/2021, UNIB had net income of \$7.7 million, or \$1.63 per share.
 - Midwest contributed \$2.11 million in pre-tax income during the quarter.

Valuation Summary – Year End 2020

VALUATION METHODS COMPARISON			
	12/31/2019	12/31/2020	% Change
DISCOUNTED CASH FLOW VALUE (1)	\$8.40	\$20.39	142.7%
NET ASSET VALUE	\$7.25	\$14.82	104.3%
GUIDELINE TRANSACTIONS - MINORITY SHARE TRADING			
Price-to-Tangible Book Value	\$8.73	\$21.12	142.0%
Price-to-Earnings Multiple	\$8.28	\$26.56	220.7%
Price-to-Recurring Revenue	\$10.88	\$18.19	67.2%
MARKET PRICE (2)	\$8.06	\$12.56	55.8%
Indication of Value (Marketable Minority Interest)	\$8.10	\$19.00	134.6%
Marketability Discount	0%	0%	
FAIR MARKET VALUE	\$8.10	\$19.00	134.6%

(1) 12/31/2020 indication of value represents the average of the two Discount Cash Flow Value methodologies utilized for the valuation.

(2) Based on the December 31st closing price.

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.*