

March 25, 2009 UNIVERSITY BANK ANNOUNCES 2008 RESULTS & UPDATE ON CURRENT OPERATIONS Ann Arbor, Michigan -- University Bank, announced today that it had audited net income of \$73,140 in 2008. Highlights for the year include:

- Mortgage subservicing managed under contract increased to \$5 billion;
- Our new residential mortgage wholesale operation closed its first loan in July 2008 and originated \$133.4 million of mortgage loans, primarily through the Federal Housing Administration;
- Our Islamic banking operations had another record year in growth of deposits and financings;
- Community Banking continues to grow despite the business recession while lending to the local community;

Key metrics for the year ended December 31, 2008 were:

- Total employees in Michigan rose to 155 up about 50%;
- Total Assets increased to \$129.3 million up 46.6%
- Net Interest Income increased to \$4.53 million up 32.0%
- Loans and financings +50.9%
- Islamic profit sharing deposits +43.9%
- Islamic financings in portfolio and managed +104.1%
- Net interest and financing income +34.1%

President Ranzini noted, “We are pleased to have had essentially a break-even profit result in 2008, a year that was challenging for our industry and that we made progress in so many important metrics. The bank’s business units are currently firing on all cylinders. Since year-end, we have increased our subservicing under management to \$5.7 billion and had two record monthly profits, our mortgage wholesale unit is closing on \$50 million of mortgages per month and having record profits, and our Islamic banking unit is having record financing closings about double last year’s pace and record profits and Community Banking grew its local loan portfolio to new heights and has growing profits.”

During 2008, University Bank increased its business by between 34% and 104% depending upon the metric used. We also successfully launched a new wholesale mortgage lending unit that has achieved substantial volumes and profitability and increased our staff to support the higher level of business by 50%. Our bottom-line result was restrained however, by start-up costs and other one-time investments to build our business and the economic conditions in our local market area. We increased our reserves to take this into account by over a half million dollars.

University Bank also announced that it entered into a formal agreement on February 12, 2009 with the Federal Deposit Insurance Corporation and the State of Michigan Office of Financial and Insurance Regulation to assist in improving aspects of its operations. The agreement was proposed by the regulatory agencies as a means of strengthening University Bank as a result of University Bank’s most recent supervisory examination in June of 2008. During the regulatory audit process, specific areas of improvement were addressed by the Bank’s management team and the examiners. Many of the issues addressed in the agreement related to Compliance errors and actions to

strengthen the bank's overall Compliance program, the International Trade department that the bank discontinued, and the potential volatility in increasing interest rate scenarios of a portfolio of about \$20 million of long term fixed rate Freddie Mac and Fannie Mae issued Mortgage Backed Securities that were then sold at a profit versus our original cost in early January this year.

Among the staff hired during 2008, the bank added a full-time expert bank compliance lawyer who was previously with the largest bank headquartered in Michigan and hired a full-time internal auditor. To beef up its compliance efforts, the bank implemented additional software programs to automate many of the paperwork compliance tasks previously handled in a manual process, going forward. While some of these matters were already being attended to by management and the board prior to June 2008, University Bank is committed to implementing the actions advised by the FDIC and OFIR to further strengthen the overall regulatory compliance function of the organization and looks forward to future consultations with the FDIC's and OFIR's compliance experts and their expert assistance and input on future improvements.

One of the operational benchmarks in the agreement is the goal that the Bank should exceed a minimum tier-one capital adequacy ratio of eight percent at March 31, 2009 and eight and a quarter percent for the remaining term of the agreement and a thirteen percent total risk-based capital ratio. In this time of economic turmoil the bank's board of directors believes that it is a good idea to have extra bank capital just in case. Historically, the Bank's ratios have typically been near or above these thresholds. The Bank's ratio is well above the five-percent minimum used by bank examiners to define a well-capitalized bank.

Stephen Lange Ranzini, President of the Bank, commented, "The agreement represents a formal commitment by University Bank, the board and management to collectively work with the regulators to aggressively address areas that by working and consulting with each other can be improved in the organization. The Bank's board of directors and senior management team has already implemented the majority of the solutions advised by the FDIC and OFIR and in some cases we have even gone beyond what was recommended to further strengthen the bank's compliance programs. In addition, the Bank remains proactive in developing additional policies, procedures and plans with the goal of further improving the overall strength of the bank." Ranzini concluded, "University Bank had essentially a break-even profit result in 2008 and has seen strong profits in 2009. Our bank is safe, strong and solid and is making profits even in these economically challenging times."

Other recent important developments include University Bank receiving a major industry award in February 2009, the American Bankers Association's 2009 Community Bank Award for its work in 2008 in expanding homeownership opportunities. The award is a testament to the bank's management team and their foresight. The bank's past major awards include the U.S. Banker magazine's Community Bankers of the Year Award in 2006 and the FDIC's Outstanding Rating for Community Service and Community Reinvestment. "These major industry awards are a testament to the track record of University Bank, its long term involvement in helping grow our community and the fact that our business units are implementing strong business plans and are well managed," Ranzini noted.

During 2008, Ranzini was also made the President of the Ann Arbor Economic Development Corporation board. He already had been serving the community as the Vice-Chairman of the Washtenaw County Economic Development Corporation board and has been donating his time in these efforts in an effort to help create local quality jobs.

Ann Arbor-based University Bancorp owns 100% of University Bank which, together with its subsidiaries, holds and manages a total of over \$5.7 billion in loans and assets. University Bank is an FDIC-insured, locally owned and managed community bank, and is the only financial institution headquartered in Washtenaw County rated “Outstanding” by the FDIC for Community Service and Community Reinvestment through its creative and innovative services to meet the financial needs of its community. Founded in 1890, University Bank® is proud to be selected as the "Community Bankers of the Year" by U.S. Banker magazine, the recipient of the American Bankers Association’s 2009 Community Bank Award and as one of the 12 fastest growing businesses in the Ann Arbor region by the regional economic development agency Ann Arbor SPARK.

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