

UNIVERSITY BANCORP 2003 FINANCIAL RESULTS

ANN ARBOR, Michigan, April 9, 2004 - University Bancorp, Inc. (NASDAQ Symbol UNIB) (the "Company") announced its audited results from operations for the calendar year ended December 31, 2003:

	For the Three Months Ended December 31, (in 000s)		For the Twelve Months Ended December 31, (in 000s)	
	2003	2002	2003	2002
Net interest income	\$ 483	\$ 474	\$1,890	\$2,156
Provision for loan losses	22	40	189	100
Total securities gains	(26)	0	(54)	70
Total other income	1,239	1,707	5,986	4,371
Total other expense	1,779	1,833	7,619	6,291
Income tax	0	0	(80)	0
Net income (loss)	(105)	\$308	\$ 94	\$ 206
Basic income (loss) per common share	\$(0.03)	\$0.08	\$0.02	\$ 0.05
Average shares outstanding	4,009	3,900	3,940	3,859
Period-end:		Dec. 31, 2003		Dec. 31, 2002
Loans & Loans Held for Sale		\$35,135		\$34,743
Allowance for loan losses		\$454		\$ 408
Deposits		\$38,808		\$41,920
Assets		\$43,549		\$46,249
Equity		\$3,435		\$ 3,156
Book value per share		\$0.85		\$0.81

In 2003, the Company's net income was \$94,442 versus \$205,598 in 2002 and a net loss of \$306,573 in 2001. Basic and diluted earnings (loss) per share from continuing operations for 2003, 2002 and 2001 were \$0.02, \$0.05 and \$(0.13), respectively. Total revenue in 2003 was \$8,664,000, an increase of 12.4% from \$7,705,000 in 2002.

Community Banking incurred a pre-tax loss of \$300,000 during the current year as opposed to pre-tax income of \$20,000 from the year before. A drop in the net interest margin due to record low interest rates, a \$124,000 decrease in securities gains and an \$89,000 increase in the provision for loan losses accounted for the most of this variance. In contrast, pre-tax income at Midwest Loan Services increased to \$426,000 in 2003 from \$281,000 last year. Income at Midwest Loan Services increased with rapidly increasing mortgage originations and an 80% increase during 2003 in mortgage loans sub-serviced. The net income in 2003 includes an income tax benefit of \$80,000. This benefit represents a small portion of the \$1,571,790 net operating loss carry-forward benefit that Management reasonably expects

University Bancorp 2003 Financial Results
Page Two of Four

to utilize against future taxable income.

Management made a decision in the fourth quarter of 2003 to invest in the establishment of a new mortgage conduit with Lehman Brothers that was established in December 2003. The conduit gives Midwest the capability to be the only mortgage origination and subservicing company to be able to offer the credit union industry the ability to originate any type of mortgage loan, jumbo, substandard or conforming in the name of the credit union for the life of the loan. Expenses are being incurred in extra personnel, travel and training expenses to establish the conduit and to get the credit unions up and running with the program. In response to the loss at Community Banking, in December 2003 management implemented a \$30,000 a month expense cut at Community Banking. At the same time Community Banking is also making investments into marketing and expansion of the Islamic banking products recently introduced at Community Banking which are gaining market acceptance. MALT™ loan alternative originations are gaining pace and SHAPE™ deposits are also rising. Both the Lehman Brothers conduit and the higher expenses associated with the MALT™ and SHAPE™ Islamic banking products have had a negative impact on earnings in the short run. "We believe that these investments are wise and that they will pay off in higher earnings later in 2004," explained President Stephen Lange **Ranzini**. "The potential upside is compelling."

At December 31, 2003, Midwest Loan Services was subservicing 15,033 mortgages, an increase of 80% from 8,360 mortgages at December 31, 2002. The balance of loans sub-serviced was \$2.0 billion at January 1, 2004 as compared with over \$1.0 billion at December 31, 2002. Midwest had a highly successful year attracting some of the nation's premier credit unions to its "Members for Life" program. Mortgage banking, servicing and origination fees increased to \$5,267,418 in 2003 from \$4,040,363 in 2002. In 2003, Midwest originated 670 mortgage loans, an increase of 31% over last year. During the year, Midwest increased its credit union partners so that at year-end 2003 it had credit union partners with a total of 1,585,000 active members, 20,434,000 potential members and aggregate assets of \$11.48 billion. **Ranzini** noted, "University Bancorp is one of the few ways that investors can invest in the success of the credit union industry as credit unions increase their share of mortgage loans made to their members."

The Bank's wholly owned insurance and investment subsidiary also enjoyed a record year, producing \$168,577 in fee income compared to \$113,870 for the year ended December 31, 2002, a 48.0% increase.

University Bancorp 2003 Financial Results
Page Three of Four

Total non-performing assets at year-end 2003 and 2002 were each \$1.5 million. Net charge-offs as a percentage of average loans dropped to 0.42% for the year ended December 31, 2003 compared to 0.79% the prior year.

"Despite the lack of apparent progress in gross numbers, real progress has been achieved. Asset quality improvement will remain a top priority throughout 2004," **Ranzini** declared. "On the positive side, during the year we were able to complete the foreclosure process on more than half of these problem credits, all of what is left is backed by solid real estate collateral and all are houses. We have several sales of these REO properties pending and expect more sales shortly."

Retail deposit growth was constant throughout the year and brokered deposits were nearly eliminated, falling from \$7.89 million at year-end 2002 to just \$1.10 million at year-end 2003. Conversely, retail deposits grew by \$3.68 million, or 10.8% during 2003. Loan growth began to accelerate towards the end of the year and has picked up momentum in the first quarter of 2004. Net interest income rose as 2003 progressed, and further progress is being made monthly in 2004. University Bank meets the FDIC promulgated definition for a "well capitalized" institution with a Tier 1 leverage capital ratio of 8.69% and a Total Risk Based capital ratio of 12.42% at December 31, 2003. During 2003, University Bank was rated "Outstanding" by the FDIC for Community Service and Community Reinvestment and is currently the only bank headquartered in Washtenaw County with this top rating.

Twelve months ended December 31, 2003, 2002 and 2001 Pre-tax Income (Loss) Summary

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Community Banking	\$(301)	\$ 20	\$(414)
Midwest Loan Services	426	281	237
Merchant Banking (Michigan BIDCO)	0	0	(115)
Corporate Office	<u>(111)</u>	<u>(95)</u>	<u>(15)</u>
Total	<u>\$ 14</u>	<u>\$ 206</u>	<u>\$(307)</u>

Ann Arbor-based University Bancorp (NASDAQ: UNIB) owns 100% of University Bank. University Bank is an FDIC insured, locally owned and managed Community Bank. The Community Banking operation focuses on local businesses and the non-profit community, and its officers make "office calls" to local small businesses and non-profits. Other Community Banking specialties include highly competitive deposit products for business owners, residential mortgages, commercial real estate lending, and insurance, investments and money management through its wholly owned subsidiary University Insurance & Investments, Inc.

University Bancorp 2003 Financial Results
Page Four of Four

In addition to its Community Banking operations, University Bancorp specializes in mortgage subservicing specializing in serving the credit union industry through the Bank's Houghton-based 80%-owned subsidiary, Midwest Loan Services. University Bancorp also owns 6.1% of Michigan BIDCO, Inc. an Ann Arbor-based merchant banking company.

Any prediction of the future is inherently not assured. Investors should read the risk factors listed in the Company's report on Form 10K for the year ended December 31, 2003, beginning on page 21, and any prediction in this release is intended to be covered by the Safe Harbor provisions of Section 21E of the Securities Exchange Act of 1934.

Company Contact: Stephen Lange Ranzini, President & CEO
University Bancorp, Inc.
Phone: (734) 741-5858 xt 226
Fax: (734) 741-5859
Email: ranzini@university-bank.com

###