

For Immediate Release

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**UNIVERSITY BANCORP REPORTS THIRD QUARTER LOSS
DUE TO SERVICING RIGHTS CHARGE, RESOLUTION OF NON PERFORMING ASSETS AND
TAX CHARGE; LOANS GROW 17.7% YEAR TO DATE**

Ann Arbor, Michigan, November 16, 2004 – University Bancorp, Inc. (NASDAQ: UNIB) reported a net loss for the third quarter of 2004 of \$(216,288), versus net income of \$111,688 for the same period last year. Community Banking incurred a pretax loss of \$41,000 in the third quarter of 2004 as compared with a pretax loss of \$8,000 for the same period in 2003. Operations at Community Banking were negatively impacted during the third quarter of 2004 by approximately \$97,000 in expenses and loss of income related to the resolution of non performing residential loans and real estate owned. The Bank's subsidiary, Midwest Loan Services reported a net loss of \$83,000 for the third quarter of 2004 as compared to net income of \$89,000 for the same period in 2003. Operations at Midwest were negatively impacted in the third quarter of 2004 by an \$115,000 impairment write down of the mortgage servicing rights. The valuation of mortgage servicing rights is greatly impacted by changes in long term mortgage interest rates. During the third quarter of 2004, the Company recorded an \$80,000 tax expense. This resulted from a reduction in a deferred tax asset which is no longer expected to be realized in future periods. Net income in 2003 included an income tax benefit of \$80,249.

The Company incurred a net loss for the first nine months of 2004 of \$486,847, versus net income of \$199,411 for the same period last year. Community Banking incurred a pretax loss of \$249,346 during the current year's first nine months as opposed to a loss of \$135,000 from the year before. Community Banking incurred approximately \$255,000 in expense related to the resolution of other real estate owned in 2004, including lost interest income and legal fees. The expenses in this category were substantially less in 2003. Community Banking has also incurred approximately \$10,000 a month in expenses to grow the Islamic banking program. Midwest Loan Services had a pretax loss of \$77,936 in the first nine months of 2004 compared to pretax income of \$365,000 in the same period last year. In 2003, Midwest benefited from a significant volume of income derived from the high level of mortgage refinancing due to lower rates. In 2004, this income was substantially less. Income at Midwest was negatively impacted in the first half of 2004 by investments of about \$30,000 a month in overhead intended to grow Midwest's jumbo and non-standard originations through a secondary market conduit established with Lehman Brothers.

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The three and nine month results are not necessarily indicative of future results. University Bank had unaudited net income of \$1,014 in October 2004.

Community Banking's loan portfolio at September 30, 2004 was \$41.11 million, a new all-time high, and an increase of \$6.18 million or 17.7% from the balance at December 31, 2003. The portfolio of Islamic mortgages exceeded \$6.40 million. Management currently projects year-end loans will exceed \$43 million and year-end assets will exceed \$50 million.

Total non-performing assets at September 30, 2004 were \$1,293,658 and at June 30, 2004, December 31, 2003 and June 30, 2003 were \$1,197,974, \$1,546,627 and \$2,093,273, respectively. Asset quality improvement will remain a top priority throughout 2004. During the quarter we made additional progress in preparing properties for sale and foreclosing on non-performing property loans. Subsequent to quarter-end an \$183,000 non-performing commercial loan was paid in full and we expect more sales of the remaining newly foreclosed properties shortly.

Total non-interest income decreased to \$852,585 for the three months ended September 30, 2004 from \$1,701,858 for the three months ended September 30, 2003. The decrease was primarily due to lower mortgage loan origination activity. In 2003, the rates on mortgages were historically low and this spurred an increase in the refinancing market. Management at the Bank and Midwest aggressively pursued this activity and were able to increase income from initial loan set up and other fees and gain on the sale of mortgage loans. During the three month period in 2004, mortgage rates were slightly higher however mortgage refinancing activity was significantly lower.

At September 30, 2004, Midwest was subservicing 17,631 mortgages, an annualized increase of 23% from the 15,033 mortgages subserviced at December 31, 2003. Management currently projects that Midwest will end the year with between 18,500 and 20,000 mortgages subserviced.

Non-interest expense decreased to \$1,538,404 in the three months ended September 30, 2004 from \$2,124,122 for the three months ended September 30, 2003. The decrease was due principally to decreases in salaries and benefits, mortgage banking expense, and amortization of servicing rights. The higher mortgage interest rates in 2004 resulted in lower income from mortgage origination as well as lower expenses. The adjustment for servicing rights impairment resulted in a loss of \$115,000 for the three month period ended September 30, 2004 and a loss

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of \$260,500 for the same period in 2003. The impairment reserves at September 30, 2004 and 2003 were \$516,000 and \$448,000, respectively. Non-interest expense decreased to \$4,707,149 in the nine months ended September 30, 2004 from \$5,839,744 for the nine months ended September 30, 2003. The decrease was primarily the result of decreased operating expenses at Midwest Loan Services resulting from low mortgage origination activity.

At September 30, 2004, the Bank was "well capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 7.24%.

	For the Quarter Ended Sept. 30, (in 000s)		For the Nine Months Ended Sept. 30, (in 000s)	
	2004	2003	2004	2003
Net interest income	\$ 522	\$ 476	\$1,429	\$1,406
Provision for loan losses	(28)	22	17	167
Total securities gains	0	(28)	1	(28)
Total other income	852	1,730	2,887	4,748
Total other expense	1,538	2,124	4,707	5,840
Income tax (benefit)	80	(80)	80	(80)
Net income (loss)	\$(216)	\$ 112	\$(487)	\$ 199
Basic and diluted income (loss) per common share	\$(0.05)	\$0.03	\$(0.12)	\$0.05
Average shares outstanding	4,091	3,952	4,080	3,917
Net interest margin	4.98%	4.73%	4.92%	4.76%
Period-end:	September 30,			
	2004	2003		
Loans & Loans Held for Sale	\$41,727	\$33,985		
Allowance for loan losses	454	589		
Deposits	42,861	39,621		
Assets	49,049	43,694		
Equity	3,063	2,836		
Book value per share	\$0.75	\$0.74		

The following tables summarize the pre-tax income (loss) of each profit center of the Company for the three and nine month periods ended September 30, 2004 and 2003 (in thousands):

Three months ended September 30, 2004 and 2003 Income (Loss) Summary

	<u>2004</u>	<u>2003</u>
Community Banking	\$(41)	\$(8)
Midwest Loan Services	(83)	89
Corporate Office	(12)	(50)
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Total	\$(136)	\$ 31
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Nine months ended September 30, 2004 and 2003 Income (Loss) Summary

	<u>2004</u>	<u>2003</u>
Community Banking	\$(249)	\$(127)
Midwest Loan Services	(101)	365
Corporate Office	(57)	(111)
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Total	\$(407)	\$ 119
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Ann Arbor based University Bancorp owns 100% of University Bank. University Bank is an FDIC-insured, locally owned and managed Community Bank primarily serving the cities of Ann Arbor and Ypsilanti of Washtenaw County. The Community Banking operation focuses on local businesses, minorities and the non-profit communities. University Bank is the only financial institution located in Washtenaw County to be rated "Outstanding" by the FDIC for Community Service and Community Reinvestment. 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. In addition to its Community Banking operations, University Bancorp specializes in mortgage subservicing and mortgage origination primarily serving the credit union industry through the Bank's Houghton-based 80%-owned subsidiary, Midwest Loan Services.

Any prediction of the future is inherently not assured. Investors should read the risk factors listed on pages 21 and 22 in the Company's report on Form 10K for the year ended December 31, 2003 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.

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