

**UNIVERSITY BANCORP IMPROVES ANNUAL RESULTS 167.6%
4TH QUARTER SETS RECORD**

ANN ARBOR, Michigan, March 25, 2003 - University Bancorp, Inc. (NASDAQ Symbol UNIB) (the "Company") announced its audited results from operations for the calendar year ended December 31, 2002:

	For the Three Months Ended December 31, (in 000s)		For the Twelve Months Ended December 31, (in 000s)	
	2002	2001	2002	2001
Net interest income	\$ 474	\$ 424	\$2,156	\$1,738
Provision for loan losses	40	(27)	100	40
Total securities gains	0	13	70	13
Total other income	1,707	694	4,371	3,942
Total other expense	1,833	1,342	6,291	5,960
Income tax	0	0	0	0
Net income (loss)	\$308	\$(184)	\$ 206	\$(307)
Preferred stock dividend	0	7	0	52
Net income (loss) attributable to common stock	\$308	\$(191)	\$ 206	\$(359)
Basic income (loss) per common share	\$0.08	\$(0.06)	\$ 0.05	\$(0.13)
Average shares outstanding	3,900	2,923	3,859	2,278
Period-end:	Dec. 31, 2002		Dec. 31, 2001	
Loans & Loans Held for Sale		\$34,743		\$37,164
Allowance for loan losses		\$408		\$579
Deposits		\$41,920		\$40,198
Assets		\$46,249		\$45,623
Equity		\$3,156		\$2,737
Book value per share		\$0.81		\$0.73

University Bancorp reported consolidated net income for the year ended December 31, 2002 of \$205,597 (\$0.05 per share). This was a 167.06% increase over 2001 year-end results of a net loss of (\$306,573), or (\$0.13) per share. Fourth quarter 2002 net income established a new record of \$308,130 or \$0.08 per share compared to a loss of (\$183,906) or (\$0.06) per share for the comparable quarter in 2001. Return on

average shareholders' equity was 7.43% for the year ended December 31, 2002 compared to a negative 12.49% for the year ended December 31, 2001. Return on average assets for the same comparable years were 0.47% and -0.67%, respectively.

"We've been on a road to recovery for the past several years and are thrilled to have turned a significant corner relative to core profitability in 2002," said President **Stephen Lange Ranzini** about the Company's first profitable year since opening University Bank (the "Bank") in Ann Arbor in 1996. "Having achieved sustainable profitability at the Bank, our skilled team has accomplished what many thought could not be done. Considering the challenges that confronted us when we started down this path in the late 1990s, this is turning into one of the most remarkable banking turnaround stories," **Ranzini** added.

Net interest income improved 23.99% in year-to-year comparisons, rising to \$2.2 million for the year ended December 31, 2002 compared to \$1.7 million the prior year. For the fourth quarters ended December 31, 2002 and 2001, net interest income was \$474,007 and \$424,324, respectively, an improvement of 11.71%.

While Community Banking experienced a decline in interest on loans during the unprecedented low interest rate environment of the past year, it enjoyed a 34.65% increase in interest on securities and a 42.42% savings in interest expense. Expanding the base of core deposits also allowed us to realize a 76.95% reduction in interest expense on other borrowings. For the year ended December 31, 2002, the Bank's net interest margin was 5.19% compared to 4.37% for the previous year.

"We have focused strongly on improving net interest income in recent years," said **Rebecca David**, CEO, who joined the Bank in late 2000.

"Largely we're doing this through expanding our base of core deposits and decreasing our dependency on higher cost liabilities," **David** added.

David said the Company has also concentrated on improving non-interest income. "We certainly benefited from the huge refinance boom this year," said **David** pointing to a 12.28% improvement in non-interest income during 2002 compared to 2001. "However, we know this may not be sustainable and so are working on building additional sources of on-going fee income for the Bank through expansion of existing programs and new niche programs."

Overall, non-interest income was \$4.4 million for the year ended compared to \$4.0 million in 2001. Activity throughout the year was brisk at Midwest Loan Services, a mortgage subservicing entity of which the bank owns 80%. Based in Houghton, Michigan, Midwest had a highly successful year attracting some of the nation's premier credit unions to its "Members for Life" program. During the year, Midwest grew its mortgages subserviced by 66% from 5,057 to 8,372 and to over \$1 billion of mortgages subserviced. In 2002, Midwest originated 1,769 mortgage loans, an increase of 88%. Midwest President, **Ed Burger**, commented, "We expect credit union mortgage relationships to continue to grow at roughly the same rate in 2003. The credit union partners' portfolios continue to grow as awareness of their mortgage capabilities grows in their membership base and as credit unions form Credit Union Service Organizations to originate and service mortgage loans for other credit unions.

Our current credit union partners at year-end 2002 had 1,421,380 active members, 8,574,813 potential members and aggregate assets of \$9.61 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 \$113,870 in fee income compared to \$97,489 for the year ended December 31, 2001, a 16.8% increase. Money under management in the brokerage side of the agency increased to over \$5 million during the year.

Non-interest expenses increased 5.54% in year-to-year comparisons and were \$6.3 million and \$6.0 million for the years ended December 31, 2002 and 2001, respectively. Non-interest expenses during the fourth quarter 2002 increased as Midwest's mortgage origination function expanded. During the 4th quarter Midwest reached a new level of over 600 mortgages originated and succeeded in retaining over 80% of all refinanced mortgages in its servicing rights portfolio that paid-off. Non-interest expense for the quarter ended December 31, 2002 was \$1.8 million compared to \$1.3 million for the fourth quarter in the prior year. Year-end employee performance bonuses impacted the fourth quarter 2002 non-operating expenses as well.

Total non-performing assets at year-end 2002 and 2001 were \$1.5 million. Net charge-offs as a percentage of average loans were 0.79% for the year ended December 31, 2002 compared to 0.07% the prior year.

"We have adopted a much more aggressive stance regarding delinquencies," said **Ranzini**. "While Washtenaw County is somewhat insulated from some of the statewide economic problems because of the stabilizing factor of the University of Michigan, we need to be vigilant and proactive given the current economic depression. Asset quality improvement will remain a top priority throughout 2003." On the positive side, during the year we were able to complete the foreclosure process on more than half of these problem credits, most of what is left is backed by solid real estate collateral and most are houses. We have several sales of these REO properties pending and expect more sales shortly.

Total assets increased to \$46.2 at December 31, 2002 from \$45.6 million at year-end 2001. Total loans declined slightly (5.24%) and were \$33.2 million and \$35.0 million at December 31, 2002 and 2001, respectively. **Ranzini** pointed out that the high level of refinancing decreased Community Banking's core loan portfolio in 2002. Additionally, given Community Banking's focus on improving asset quality, **Ranzini** said he would much prefer "quality over quantity" and accepts that this will likely result in slower portfolio growth, especially in the commercial portfolio, in the coming year.

The 4.28% increase in deposits, which were \$41.9 million at year-end 2002 compared to \$40.2 million at year-end 2001, fails to clearly show Community Banking's progress in increasing its base of core deposits. Core deposits increased approximately \$6 million during the year, allowing Community Banking to replace higher cost brokered funds with a more stable, lower cost-funding source. "Our marketing plan in this area is working," said CEO **David**. "We have radically reduced our levels of brokered funds and will continue to do so as we attract accounts from area non-profits and small businesses through our aggressive business development program." University Bank meets the FDIC promulgated definition for a "well capitalized" institution with a Tier 1 leverage capital ratio of 7.89% and a Total Risk Based capital ratio of 11.13% at December 31, 2002.

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

	2002	2001
Community Banking	\$ 20	\$(414)
Midwest Loan Services	281	237
Merchant Banking (Michigan BIDCO)	0	(115)
Corporate Office	(95)	(15)
Total	<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. In addition to its Community Banking operations, University Bancorp specializes in mortgage subservicing through the Bank's Houghton-based 80%-owned subsidiary, Midwest Loan Services and 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, 2001, beginning on page 22, 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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