For Immediate Release
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UNIVERSITY BANCORP REPORTS 2004 LOSS
DUE TO OPERATING CHARGES & UPDATES GUIDANCE FOR 2005;
PORTFOLIO LOANS GROW 23.1% AND DEPOSITS GROW 14.9%

Ann Arbor, Michigan, April 15, 2005 — University Bancorp, Inc. (NASDAQ: UNIB) reported an audited net loss of $584,820 in 2004, versus net income of $94,442 in 2003. Basic and diluted (loss) earnings per share for 2004 and 2003 were $(0.14) and $0.02, respectively. 2004 results contained the following $609,000 of operating charges which negatively impacted net income:

- In 2004, Community Banking incurred approximately $305,000 in expense related to the resolution of other real estate owned. During the year, non-performing assets decreased from $1,546,627 to $1,182,063, and subsequent to year-end dropped further to under $750,000.
- Community Banking recorded a $156,000 impairment charge against its investment in Michigan Capital Fund, L.P. I. in the final quarter of 2004. The charge will eliminate related expense going forward and will therefore increase income by $100,000 in 2005 and $56,000 in 2006. Community Banking is a tax benefit partner in this low income housing partnership, which provides it with tax credits that can be used to offset federal income taxes. The Company's overall tax status does not allow for the tax credits to be carried as an asset. Accordingly, an impairment charge was deemed appropriate.
- Operations at Midwest Loan Services were negatively impacted by a $68,000 impairment write down of its mortgage servicing rights held for investment. The valuation of mortgage servicing rights is greatly impacted by changes in long term mortgage interest rates and if long term interest rates increase in future periods a portion of the year-end $516,000 allowance for impairment may be recovered.
- The net loss in 2004 includes an $80,000 tax expense. This resulted from a reduction in a deferred tax asset due to the loss in 2004 from operations. Net income in 2003 included an income tax benefit of $80,000. At year-end 2004, we had net operating loss carry-forwards that could be utilized to offset approximately $1,921,000 of future taxes, and which were 100% reserved and carried at $0. If we are profitable in future periods, these assets will begin to be realized as earnings.

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Community Banking incurred a pretax loss of $388,000 during the current year as opposed to a loss of $301,000 in 2003. The expenses for other real estate owned and the impairment of the tax credit partnership more than offset general operational improvement in Community Banking in 2004 as compared to 2003, including a 23.1% increase in loans and a 14.9% increase in deposits. Community Banking has also incurred approximately $10,000 a month in expenses to grow the Islamic banking program. However by year-end, the program was generating over $35,000 of recurring revenue per month and the Islamic Banking Division currently has over $10 million in Islamic residential mortgage alternative loan transactions and over $3.6 million of Islamic deposits.

Midwest had a pretax loss of $27,000 in 2004 as compared to pretax income of $426,000 in 2003. 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 and by the write down of the mortgage servicing rights. The decrease in mortgage originations offset improvements in other areas including a 21% increase in mortgage loans subserviced, to 18,233 loans at December 31, 2004.

The three and twelve month results are not necessarily indicative of future results. Management currently estimates that University Bank had unaudited net income of $168,000, over $0.04 per share, in the first quarter of 2005, and projects University Bank net income in 2005 of between $1,500,000 and $1,950,000 ($0.35 to $0.46 per share), including a projected gain of $750,000 anticipated from the relocation of its headquarters building this summer.

Community Banking’s loan portfolio at December 31, 2004 was $43.00 million, a new all-time high, and an increase of $8.07 million or 23.1% from the balance at December 31, 2003.

Total non-performing assets at December 31, 2004 were $1,182,063 and at September 30, 2004, June 30, 2004, December 31, 2003 and June 30, 2003 were $1,293,658, $1,197,974, $1,546,627 and $2,093,273, respectively. Subsequent to year-end sales of repossessed real estate and payoffs of non-performing loans reduced the amount of non-performing assets to under $750,000. Asset quality improvement will remain a top priority throughout 2005. During 2004, the ratio of net charge offs during 2004 to average loans outstanding during 2004 dropped to just 0.03%, versus 0.41% in 2003 and 0.77% in 2002.

Total non-interest income decreased to $3,822,548 for the year ended December 31, 2004 from $5,932,492 for period ended in 2003. The decrease was principally a result of decreases in loan origination and

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gains on the sale of mortgage loans at Midwest. In 2003, the rates on mortgages were historically low which spurred an increase in the re-financing market. In 2004, the rates were still relatively low, but the re-financing activity decreased significantly. The Bank's wholly-owned insurance and investment subsidiary, University Insurance & Investment Services, enjoyed a record year, producing $219,631 in fee income compared to $168,577, a 30% increase.

Non-interest expense decreased to $6,375,181 in the period ended December 31, 2004 from $7,619,112 for the same period in 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. These decreases in costs were partially offset by an increase in other real estate owned expense and an impairment charge as noted previously.

At December 31, 2004, the Bank was "adequately capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 6.45%.

Subsequent to year-end 2004, we made the final $34,000 payment on our $1 million holding company loan which then paid in full and fully funded our expenses at the holding company level for the next year.

	For the Quarter Ended Dec. 31, (in 000s)		For the Year Ended Dec. 31, (in 000s)	
	2004	2003	2004	2003
Net interest income	$ 531	$ 484	$1,960	$1,890
Provision for loan losses	(106)	22	(88)	189
Total securities gains	(1)	(26)	0	(54)
Total other income	935	1,238	3,675	5,986
Total other expense	1,669	1,779	6,228	7,619
Income tax (benefit)	0	0	80	(80)
Net income (loss)	$(97)	$(105)	$(585)	$ 94
Basic and diluted income (loss) per common share	$(0.01)	$(0.03)	$(0.14)	$0.02
Average shares outstanding	4,101	4,009	4,085	3,940
Net interest margin	3.96%	4.84%	4.68%	4.78%

Period-end:	December 31, 2004	December 31, 2003
Loans & Loans Held for Sale	$43,846	$35,135
Allowance for loan losses	353	454
Deposits	44,588	38,808
Assets	50,786	43,549
Equity	3,002	3,435
Book value per share	$0.73	$0.85

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The following table summarizes the pre-tax (loss)/income of each profit center of the Company for the years ended December 31, 2004, 2003, and 2002 (in thousands):

	2004	2003	2002
Community Banking	$(388)	$(301)	$ 20
Midwest Loan Services	(27)	426	281
Corporate Office	(90)	(111)	(95)
Total	$(505)	$ 14	$ 206

Three months ended December 31, 2004 and 2003 Income (Loss) Summary

	2004	2003
Community Banking	$(138)	$(166)
Midwest Loan Services	74	61
Corporate Office	(33)	0
Total	$(97)	$(105)

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Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of $2.5 billion in assets. 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 headquartered 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 over 160 credit unions (representing 1.75% of all credit unions nationwide) 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, 2004 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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