

For Immediate Release

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**UNIVERSITY BANCORP REPORTS \$59,762 2Q2005 NET LOSS
QUARTERLY RESULTS INCLUDE \$186,000 SERVICING RIGHTS VALUATION CHARGE**

Ann Arbor, Michigan, August 16, 2005 - University Bancorp, Inc. (NASDAQ: UNIB) reported an unaudited net loss of \$(59,762) for the second quarter of 2005, versus a net loss of \$(86,032) for the same period in 2004. Basic and diluted (loss) earnings per share for the 2005 and 2004 periods were \$(0.02) and \$(0.02), respectively. The Company's net income for the first half of 2005 was \$104,103, versus a net loss of \$270,559 for the same period last year. Basic and diluted (loss) earnings per share for the first half of 2005 and 2004 were \$0.02 and \$(0.07), respectively.

Community Banking reported net income of \$43,000 during the current year's second quarter as opposed to a net loss of \$156,000 from the year before. In 2005, Community Banking benefited from an increase in the net interest margin and lower expenses related to non performing assets. Net interest income rose 25.1% in 2005 to \$574,103 from \$458,792 in 2004. Net interest margin rose to 4.86% in 2005 from 4.55% in 2004. Total non-performing assets dropped 75.0% to \$387,943 in 2005 from \$1,553,172 at year-end 2004. Included in non-performing assets, other real estate owned ("ORE") dropped from \$534,043 at December 31, 2004 to \$110,437. After quarter-end, one of the mortgage loans delinquent more than 90 days in the amount of \$99,673 was paid in full, further reducing non-performing assets. The remaining ORE on the books has a market value that exceeds the carrying value by about \$50,000.

Midwest Loan Services reported a net loss of \$74,000 for the second quarter of 2005 as compared to net income of \$98,000 for the same period in 2004. Income at Midwest was negatively impacted in the second quarter of 2005 by an \$186,000 impairment charge against the mortgage servicing rights portfolio. At the end of the second quarter, mortgage rates dropped, thus affecting the value of the portfolio (they have risen since quarter-end). Income at Midwest was negatively impacted in the first half of 2005 by \$91,000 of net impairment charges against the mortgage servicing rights portfolio. Midwest's portfolio of mortgage subservicing grew 5.0% in the second quarter of 2005 to 20,646 loans from 19,670, and is now 13.2% higher than at the end of 2004, when 18,233 loans were subserviced. Management anticipates based on contracts in hand and conversions that are now scheduled to have over 23,000 loans subserviced at the end of September. In addition, during the quarter management learned that Midwest's largest competitor in the credit union subservicing industry has made the strategic decision to exit the business due to losses and competitive pressure.

More

UNIVERSITY BANCORP REPORTS \$59,762 2Q2005 NET LOSS

Page 2 of 3

The three month results are not necessarily indicative of future results. University Bank® net income in 2005 is likely to include a projected

gain of \$750,000 anticipated from the relocation of its headquarters building in September.

At June 30, 2005, the Bank's Tier 1 leverage capital ratio was 6.64%, up from 6.50% at March 31, 2005. The gain from the relocation of the bank's headquarters and related regulatory accounting issues is anticipated to increase the bank's Tier 1 leverage capital ratio by 2%, a 30.1% increase.

| | For the Quarter Ended June 30, (in 000s) 2005 | | For the Six Months Ended June 30, (in 000s) 2005 | | 2004 | |
|---|---|----------|--|----------|------|--|
| Net interest income | \$ 574 | \$ 459 | \$1,156 | \$ 907 | | |
| Provision for loan losses | 2 | 23 | 17 | 45 | | |
| Total securities gains | 0 | 0 | 0 | 1 | | |
| Total other income | 1,022 | 1,072 | 2,046 | 2,036 | | |
| Total other expense | 1,564 | 1,594 | 3,080 | 3,169 | | |
| Income tax | 0 | 0 | 0 | 0 | | |
| Net income (loss) | \$ (60) | \$ (86) | \$104 | \$(271) | | |
| Basic and diluted income (loss) per common share | \$(0.02) | \$(0.02) | \$(0.02) | \$(0.07) | | |
| Average shares outstanding | | | | | | |
| Basic | 4,149 | 4,091 | 4,144 | 4,074 | | |
| Diluted | 4,149 | 4,091 | 4,184 | 4,074 | | |
| Net interest margin | 4.86% | 4.55% | 4.95% | 4.59% | | |
| Period-end: | June 30, | | December 31, | | | |
| | 2005 | | 2004 | | 2004 | |
| Loans & Loans Held for Sale | \$45,039 | \$34,061 | \$43,846 | | | |
| Allowance for loan losses | 358 | 460 | 353 | | | |
| Deposits | 47,233 | 37,233 | 44,588 | | | |
| Assets | 53,371 | 42,969 | 50,786 | | | |
| Equity | 3,387 | 3,303 | 3,002 | | | |
| Book value per share | \$0.76 | \$0.85 | \$0.73 | | | |

The following tables summarize the pre-tax (loss) income of each profit center of the Company for the three and six months ended June 30, 2005 and 2004 (in thousands):

More

UNIVERSITY BANCORP REPORTS \$59,762 2Q2005 NET LOSS

Page 3 of 3

Pre-tax (loss) income summary for the three and six months ended 6/30/2005:

| | Three Months | Six Months |
|-----------------------|--------------|------------|
| Community Banking | \$ 43 | \$ 43 |
| Midwest Loan Services | (74) | 76 |

| | | |
|------------------|----------------|---------------|
| Corporate Office | (29) | (15) |
| Total | <u>\$ (60)</u> | <u>\$ 104</u> |

Pre-tax (loss) income summary for the three and six months ended 6/30/2004:

| | Three Months | Six Months |
|-----------------------|-----------------|-----------------|
| Community Banking | \$ (156) | \$ (209) |
| Midwest Loan Services | 98 | (17) |
| Corporate Office | (28) | (45) |
| Total | <u>\$ (86)</u> | <u>\$ (271)</u> |

Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of \$2.8 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 170 credit unions (representing 1.8% 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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