

For Immediate Release

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### **UNIVERSITY BANCORP REPORTS \$7,960 3Q2005 NET INCOME**

Ann Arbor, Michigan, November 15, 2005 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income of \$7,960 for the third quarter of 2005, versus a net loss of \$216,288 for the same period in 2004. Basic and diluted earnings (loss) per share for the 2005 and 2004 periods were \$0.00 and \$(0.05), respectively. The Company's net income for the first nine months of 2005 was \$112,063, versus a net loss of \$486,847 for the same period last year. Basic and diluted (loss) earnings per share for the first nine months of 2005 and 2004 were \$0.02 and \$(0.12), respectively.

Community Banking reported a net loss of \$101,000 during 3Q2005 as opposed to a net loss of \$41,000 in 3Q2004 and a profit of \$43,000 in the second quarter of 2005. During the quarter, we incurred \$70,000 in extra costs associated with the acquisition of the Company's new headquarters. Net interest margin increased by just \$29,644 on the quarter from the prior year as a 14.3% increase in the average balance of loans was largely offset by margin compression caused by the rapid rise in short term interest rates. Total non-performing assets dropped 82.2% to \$276,937 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 \$210,437. The remaining ORE on the books has a market value that exceeds the carrying value by about \$50,000.

Midwest Loan Services reported net income of \$145,000 for the third quarter of 2005 as compared to a net loss of \$83,000 for the same period in 2004. Income at Midwest was positively impacted in the third quarter of 2005 by a \$99,000 partial reversal of the mortgage servicing right impairment reserve against the mortgage servicing rights portfolio. At the end of the quarter, the mortgage rates increased, thus affecting the value of the portfolio. Also subservicing and loan origination income were higher. Midwest's portfolio of mortgage subservicing grew 9.1% in the third quarter of 2005 to 22,519 loans from 20,646, and is now 23.5% higher than at the end of 2004, when 18,233 loans were subserviced. Management anticipates based on current contractual arrangements to have over 24,000 loans subserviced at the end of December.

The three and nine month results are not necessarily indicative of future results. University Bank® net income in the final quarter of 2005 is likely to include a projected gain of \$750,000 anticipated from the relocation of its headquarters building on December 10th.

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At September 30, 2005, the Bank's Tier 1 leverage capital ratio was 6.30%, down from 6.64% at June 30, 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 1.8%, a 28.6% increase.

The Company's net income for the first nine months of 2005 was \$112,063, versus a net loss of \$486,847 for the same period last year. Community Banking reported a net loss of \$58,000 during the current year's first nine months as opposed to a loss of \$249,346 in the prior year. Community Banking benefited from an increase in the net interest margin and lower expenses related to non performing assets. Midwest Loan Services had net income of \$221,000 in the first nine months of 2005 compared to a net loss of \$100,920 in the same period last year. Net income at Midwest was positively impacted in the first nine months of 2005 by an increase in loan origination and subservicing fees and lower servicing rights amortization expense. Income at Midwest was negatively impacted in the first nine months of 2004 by approximately \$30,000 a month in overhead expenses incurred to grow Midwest's jumbo and non-standard originations through a secondary market conduit established with Lehman Brothers.

	For the Quarter Ended September 30, (in 000s)		For the Nine Months Ended September 30, (in 000s)	
	2005	2004	2005	2004
Net interest income	\$ 552	\$ 522	\$1,708	\$1,429
Provision for loan losses	0	(27)	17	17
Total securities gains	22	0	22	1
Total other income	1,032	853	3,078	2,887
Total other expense	1,598	1,538	4,678	4,707
Income tax	0	80	0	80
Net income (loss)	\$ 8	\$(216)	\$ 112	\$(487)
Basic and diluted income (loss) per common share	\$0.00	\$(0.05)	\$0.02	\$(0.12)
Average shares outstanding				
Basic	4,149	4,091	4,146	4,080
Diluted	4,149	4,091	4,184	4,080
Net interest margin	4.47%	4.98%	4.79%	4.73%
Period-end:	September 30,		December 31,	
	2005	2004	2004	
Loans & Loans Held for Sale	\$45,517	\$41,727	\$43,846	
Allowance for loan losses	349	454	353	
Deposits	51,915	42,861	44,588	
Assets	56,696	49,049	50,786	
Equity	3,423	3,063	3,002	
Book value per share	\$0.83	\$0.75	\$0.73	

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The following table summarizes the pre-tax (loss) income of each profit center of the Company for the three months ended September 30, 2005 and 2004 (in thousands):

2005	Three Months	Nine months
Community Banking	\$ (101)	\$ (58)
Midwest Loan Services	145	221
Corporate Office	(36)	(51)
Total	<u>\$ 8</u>	<u>\$ 112</u>
2004	Three Months	Nine months
Community Banking	\$ (41)	\$ (249)
Midwest Loan Services	(83)	(101)
Corporate Office	(12)	(57)
Total	<u>\$ (136)</u>	<u>\$ (407)</u>

Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of \$2.95 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 180 credit unions (representing 1.9% 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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