

For Immediate Release

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**UNIVERSITY BANCORP REPORTS \$14,687 1Q2006 NET INCOME**

Ann Arbor, Michigan, May 20, 2006 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income of \$14,687 for the first quarter of 2006, versus net income of \$163,865 for the same period in 2005. Basic and diluted earnings per share for the 2006 and 2005 periods were \$0.00 and \$0.04, respectively.

Community and Islamic Banking reported a loss of \$36,000 during the first three months of 2006 as opposed to breaking even during the first quarter of 2005. Earnings at Community & Islamic Banking Earnings during the 2006 quarter were impacted by initial start-up expenses at University Islamic Financial Corporation. Net interest margin grew 9.7% year over year. Loans grew 4.2% during the first quarter of 2006 and during the quarter the first loans under the \$100 million FHLMC Islamic secondary market arrangement were delivered. Subsequent to quarter-end, Islamic deposits reached \$10 million for the first time and the pipeline of Islamic loans pending closing exceeded \$4 million for the first time. Asset quality among Community Banking Division customers deteriorated slightly during the quarter with loans on non-accrual increasing by \$134,405 to \$484,086, although foreclosed real estate remained at \$276,987, and subsequent to quarter-end, the only commercial loan on non-accrual was brought current and the only consumer installment loan on non-accrual, a mobile home worth more than the carrying value, was foreclosed on and listed for sale.

Midwest Loan Services, the Bank's subsidiary, reported net income of \$65,000 for the three months period March 31, 2006 versus net income of \$150,000 in the same period in 2005. Midwest's portfolio of mortgage subservicing grew to \$3.3 billion, 32.0% higher than at the end of the first quarter of 2005. Subsequent to quarter-end Midwest's portfolio of mortgage subservicing grew to over \$3.7 billion as 40 new credit union partners were added. Earnings at Midwest Loan Services were negatively impacted during the 2006 quarter by an annual profit sharing payment of \$70,000 awarded by the board of directors and lower mortgage origination income due to higher mortgage interest rates during the 2006 quarter which more than offset significantly higher mortgage subservicing fee income. Also, in the prior year period, Midwest Loan Services had a positive \$90,000 adjustment for the valuation of servicing rights which decreased to \$48,000 in the current period.

The three month results are not necessarily indicative of future results. Management projects that income in 2006 will range between \$750,000 and \$1,000,000 and that net income in 2007 will exceed \$2,000,000. Income

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for the balance of 2006 will be enhanced by the now in process transfer to be complete by the end of the second quarter of \$13.5 million of zero cost escrow deposits to University Bank from another bank that are controlled by Midwest Loan Services.

University Bancorp President & CEO, Stephen Lange Ranzini commenting on the 2006 projections noted, "We have the capital to grow the bank past \$100 million in assets and with the earnings we project we should be able to more than double the bank's assets without needing to raise additional capital."

The following table summarizes the pre-tax (loss)/income of each profit center of the Company for the Three months ended March 31, 2006 and 2005  
Income (Loss) Summary

	<u>2006</u>	<u>2005</u>
Community Banking	\$ (36)	\$ -
Midwest Loan Services	65	150
Corporate Office	(14)	14
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Total	\$ 15	\$ 164
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At March 31, 2006, the Bank was "well capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 13.1%.

	For the Quarter Ended March 31, (in 000s)		
	2006	2005	
Net interest income	\$ 638	\$ 582	
Provision for loan losses	20	15	
Total securities gains	-	-	
Total other income	1,051	1,023	
Total other expense	1,654	1,426	
Income tax (benefit)	-	-	
Net income (loss)	\$ 15	\$ 164	
Basic and diluted income (loss) per common share	\$0.00	\$ 0.04	
Average shares outstanding	4,148	4,139	
Net interest margin	4.79%	5.01%	
Period-end:	March 31,	December 31,	
	2006	2005	2005
Loans & Loans Held for Sale	\$48,465	\$44,879	\$47,099
Allowance for loan losses	372	350	349
Deposits	54,623	48,310	56,021
Assets	63,397	52,540	64,540
Equity	5,321	3,207	5,301
Book value per share	\$1.28	\$0.77	\$1.28

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Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of over \$3.75 billion in assets. University Bank is an FDIC-insured, locally owned and managed Community Bank, and is the only financial institution headquartered in Washtenaw County rated "Outstanding" by the FDIC for Community Service and Community Reinvestment. The Community Banking Division focuses on local businesses, minorities and the non-profit communities primarily serving the cities of Ann Arbor and Ypsilanti of Washtenaw County. Other Community Banking Division 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. University Bank also engages in Islamic Banking through 80%-owned University Islamic Financial Corporation, the first and only Islamic Banking subsidiary of a bank in the U.S. University Islamic offers mortgage alternative financing, the only FDIC-insured Islamic deposits (offered through University Bank) and Islamic equity mutual funds (offered through University Insurance & Investments). University Bank also specializes in mortgage subservicing and mortgage origination primarily serving over 230 credit unions (representing 2.4% of all credit unions nationwide) through its 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 22 through 24 in the Company's report on Form 10K for the year ended December 31, 2005 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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