

For Immediate Release

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**UNIVERSITY BANCORP REPORTS 2Q2006 RESULTS
QUARTERLY RESULTS INCLUDE \$259,023 ONE-TIME CHARGE**

Ann Arbor, Michigan, August 16, 2006 – University Bancorp, Inc. (NASDAQ: UNIB) reported an unaudited net loss of \$228,953 for the second quarter of 2006, versus a net loss of \$59,762 for the same period in 2005. Basic and diluted earnings per share for the 2006 and 2005 periods were (\$0.06) and (\$0.02), respectively. The Company's net loss for the first half of 2006 was \$214,266, versus net income of \$104,103 for the same period last year. Basic and diluted earnings per share for the 2006 and 2005 periods were (\$0.05) and \$0.02, respectively.

Earnings during the second quarter and first half of 2006 were impacted by a one-time payment to modify an agreement with a company that has been assisting over the past four years in the development of University Islamic Financial Corporation and its products. During the quarter, \$259,023 was charged to the Corporate Office segment related to this one-time contract modification. Net income for the second quarter and first half of 2006 was also impacted by planned marketing and personnel expenses at the Islamic subsidiary. As a result, Community and Islamic Banking reported a loss of \$130,000 during the second quarter of 2006 as opposed to a net income of \$43,000 during the same period in 2005.

In April, 2006, the Company agreed to modify a relationship with a company that assisted in the development of the Islamic Banking subsidiary and products. Under the original agreement, University Islamic Financial Corporation was to pay a share of revenue earned from all future mortgage alternative products sold in the secondary market. After signing a \$100 million agency murabaha agreement with FHLMC earlier this year, the Company began to originate mortgage alternative financings for the secondary market and the volume of financings originated is starting to build. University Islamic Financial Corporation agreed to pay this company \$100,000 in cash and the Company paid 100,500 shares of University Bancorp common stock and stock options totaling 48,563 with a strike price starting at \$2.50 and increasing to \$3.50 through June 30, 2015 to eliminate this provision in the agreement, as well as to acquire the firm providing trustee services for some of the Islamic financings. By modifying the agreement, the Company will materially reduce future expenses related to the agreement.

During the first half of 2006 net income at Midwest Loan Services was \$249,000 as compared to \$76,000 in 2005. Midwest increased its volume of mortgages that it services to 30,581 mortgages an increase of 15.8%, or annualized growth of 31.6%. During the quarter-end Midwest's portfolio of

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mortgage subservicing grew to over \$3.7 billion as 40 new credit union partners were added. Additionally, Midwest benefited from a reduction of the servicing rights impairment reserve in 2006 due to higher mortgage rates during the current year. The impairment reserve was reduced by \$149,000 in 2006 as compared to increase due to an impairment charge of \$91,000 in 2005. Earnings at Midwest Loan Services in the first quarter of 2006 were negatively impacted by an annual profit sharing payment of \$70,000 awarded by the board of directors.

The three and six-month results are not necessarily indicative of future results. Income for the balance of 2006 will be enhanced by the transfer of \$13.5 million of zero cost escrow deposits to University Bank from another bank that are controlled by Midwest Loan Services. The transfer, of which more than half is already completed, should be finished by September 30, 2006. Each \$1 million of additional escrows adds \$50,000 a year to University Bank's results.

University Bancorp President & CEO, Stephen Lange Ranzini commenting on the first half results noted, "During the quarter management and the board made the decision to issue some stock to improve the future earnings potential of our Islamic Banking subsidiary. This one-time expense threw our overall results into a loss for the quarter and the first six months. On the positive side, as the escrow balances at University Bank rise, so should our earnings and we look forward to substantially improved results in the third and fourth quarter this year, and next year."

The following table summarizes the pre-tax (loss)/income of each profit center of the Company for the three and six-month periods ended June 30, 2006 and 2005 Income (Loss) Summary

2006	Three-Months	Six-Months
	-----	-----
Community Banking	\$ (130)	\$ (166)
Midwest Loan Services	184	249
Corporate Office	(283)	(297)
	-----	-----
Total	\$ (229)	\$ (214)
	=====	=====
2005	Three-Months	Six-Months
	-----	-----
Community Banking	\$ 43	\$ 43
Midwest Loan Services	(74)	76
Corporate Office	(29)	(15)
	-----	-----
Total	\$ (60)	\$ 104
	=====	=====

At June 30, 2006, the Bank was "well capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 11.6%.

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	For the Quarter Ended June 30, (in 000s)		For the Six-Months Ended June 30, (in 000s)	
	2006	2005	2006	2005
Net financing income	\$ 670	\$ 574	\$1,308	\$1,156
Provision for loan losses	29	2	49	17
Total securities gains	0	0	0	0
Total other income	1,036	1,022	2,087	2,046
Total other expense	1,906	1,654	3,560	3,080
Income tax	0	0	0	0
Net income (loss)	\$(229)	\$(60)	\$(214)	\$104
Basic and diluted income (loss) per common share	\$(0.06)	\$(0.02)	\$(0.05)	\$0.02
Average shares outstanding				
Basic	4,245	4,149	4,197	4,144
Diluted	4,245	4,149	4,197	4,184
Net interest & profit margin	5.09%	4.86%	4.86%	4.95%
Period-end:	June 30,		December 31,	
	2006	2005	2005	
Financings & Financings				
Held for Sale	\$48,548	\$45,039	\$47,099	
Allowance for loan losses	402	358	349	
Deposits	59,005	47,223	56,021	
Assets	67,742	53,371	64,540	
Equity	5,409	3,387	5,301	
Book value per share	\$1.19	\$0.76	\$1.21	

Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of over \$3.85 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 240 credit unions (representing 2.5% of all credit unions nationwide) through its Houghton-based 80%-owned subsidiary, Midwest Loan Services.

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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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