

For Immediate Release

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UNIVERSITY BANCORP REPORTS 3Q 2006 RESULTS

Ann Arbor, Michigan, November 16, 2006 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited financial results for the third quarter of 2006. Net loss for the Company for the third quarter of 2006 was \$132,971, versus net income of \$7,960 for the same period in 2005. Basic and diluted earnings (loss) per share for the 2006 and 2005 periods were \$(0.03) and \$0.00, respectively. The Company's net loss for the first nine months of 2006 was \$347,237 versus a net income of \$112,063 for the same period last year. Basic and diluted (loss) earnings per share for the first nine months of 2006 and 2005 were \$(0.09) and \$0.02, respectively.

Community and Islamic Banking reported a net loss of \$95,000 during 3Q 2006 as opposed to a net loss of \$101,000 in 3Q 2005. Net interest and profit margin increased by \$58,068 on the quarter from the prior year on the strength of a 15.2% increase in the average balance of earning assets. This improvement was offset by an accrual of \$57,411 during the quarter in additional allowance for loan losses based on management's calculation of potential future economic risk due to the deterioration of the local Michigan economy despite the fact that the bank's loan portfolio currently has record low delinquencies. Net loss for the quarter and first nine months of 2006 was also impacted by planned marketing, product development and personnel expenses at the Islamic subsidiary.

Midwest Loan Services reported a net loss of \$11,000 for the third quarter of 2006 as compared to net income of \$145,000 for the same period in 2005. Income at Midwest was negatively impacted in the third quarter of 2006 by a \$150,000 reserve against the valuation of the mortgage servicing rights portfolio held by Midwest. During the quarter, mortgage interest rates decreased, thus affecting the value of the portfolio. In the prior year period income was impacted by a \$99,000 reversal of this reserve as mortgage interest rates rose during that period. This quarter's negative trend was partially offset by rising subservicing and loan origination income. Midwest's portfolio of mortgage subservicing grew 3.0% in the third quarter of 2006 to 31,519 loans from 30,581, and is now 20.6% higher than at the end of 2005, when 26,414 loans were subserviced.

At September 30, 2006, the Bank's Tier 1 leverage capital ratio was 12.2%, up from 11.6% at June 30, 2006.

The Company's net loss for the first nine months of 2006 was \$347,237, versus net income of \$112,063 for the same period last year. Community & Islamic Banking reported a net loss of \$261,000 during the current year's first nine months as opposed to a loss of \$58,000 in the prior year. Midwest Loan Services had net income of \$238,000 in the first nine months of 2006 compared to a net loss of \$221,000 in the same period last year. Earnings during the second quarter and first half of 2006 were impacted by a one-time

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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.

	For the Quarter Ended September 30, (in 000s)		For the Nine Months Ended September 30, (in 000s)	
	2006	2005	2006	2005
Net interest & financing income	\$ 610	\$ 552	\$1,918	\$1,708
Provision for loan & financing losses	57	0	106	17
Total securities gains	0	22	0	22
Total other income	1,197	1,054	3,284	3,099
Total other expense	1,883	1,598	5,433	4,678
Income tax	0	0	0	0
Net income (loss)	\$(133)	\$ 8	\$(347)	\$ 112
Basic and diluted income (loss) per common share	\$(0.03)	\$ 0.00	\$(0.09)	\$0.02
Average shares outstanding				
Basic	4,248	4,149	4,214	4,146
Diluted	4,248	4,184	4,214	4,185
Net interest & profit margin	4.29%	4.47%	4.53%	4.79%
Period-end:	September 30,		December 31,	
	2006	2005	2005	
Loans & financings including those held for sale	\$50,163	\$45,517	\$47,099	
Allowance for loan & financing losses	458	349	349	
Deposits	57,015	51,915	56,021	
Assets	65,842	56,696	64,540	
Equity	5,300	3,423	5,301	
Book value per share	\$1.21	\$0.80	\$1.24	

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The following table summarizes the net (loss) income of each profit center of the Company for the three and nine months ended September 30, 2006 and 2005 (in thousands):

	Three Months	Nine months
2006		
Community & Islamic Banking	\$ (95)	\$ (261)
Midwest Loan Services	(11)	238
Corporate Office	(27)	(324)
Total	<u>\$ (133)</u>	<u>\$ (347)</u>
2005		
Community & Islamic Banking	\$(101)	\$ (58)
Midwest Loan Services	145	221
Corporate Office	(36)	(51)
Total	<u>\$ 8</u>	<u>\$ 112</u>

Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of over \$3.95 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. University Bank focuses on local businesses, minorities and the non-profit communities primarily serving the cities of Ann Arbor and Ypsilanti of Washtenaw County. Other University Bank 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 250 credit unions (representing 2.6% 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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