

For Immediate Release

Contact: Stephen Lange Ranzini, President and CEO

Phone: 734-741-5858, Ext. 226

Email: ranzini@university-bank.com

UNIVERSITY BANCORP REPORTS \$160,481 1Q2007 UNAUDITED NET INCOME

Ann Arbor, Michigan, May 15, 2007 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income of \$160,481 for the first quarter of 2007, versus net income of \$14,687 for the same period in 2006. Basic and diluted earnings per share for the 2007 and 2006 periods were \$0.04 and \$0.00, respectively. The 2007 result was in line with the budget.

Community and Islamic Banking reported a net loss of \$19,000 during the current year's first quarter, a slight improvement over a net loss of \$36,000 for the same period in 2006. Net interest and financing income increased by 36.9% over the prior year quarter as a result of strong increases in custodial escrow deposits and Islamic deposits. Total gross loans and financings increased by 6.9% over the total at December 31, 2006. During the 2007 quarter, significant investment was made in legal and product development expense for new Islamic products that will be launched later in 2007: residential finance products outside Michigan and a Michigan commercial real estate finance product. Net income in the 2007 quarter was also negatively impacted by approximately \$30,000 as management placed the Bank's only land development loan on non-accrual status. This loan was an \$859,214 credit secured by a 1st lien on real estate in Ann Arbor. A deal to deed title of this property to the Bank was secured subsequent to quarter-end as part of a work-out strategy. Foreclosed real estate dropped by 25.5% during the 1st quarter of 2007 to \$215,550.

The Bank's subsidiary, Midwest Loan Services Inc., reported net income of \$194,000 for the first quarter of 2007 as compared to net income of \$65,000 for the same period in 2006. Income at Midwest was positively impacted in 2007 by an increase in the number of loans serviced, which rose to 36,012 mortgages and financings subserviced at March 31, 2007, an increase of 10.9% from 32,461 mortgages subserviced at December 31, 2006. However, subsequent to quarter-end, Midwest lost a major customer relationship with a Credit Union Service Organization that had over 7,000 mortgages. As of May 14th, the number of mortgages and financings subserviced had recovered to approximately 30,300. Based on transactions in process, management projects to return to 33,000 mortgages and financings subserviced by August 1st. Earnings at Midwest during the first quarter of 2006 were negatively impacted by an annual profit sharing payment of \$70,000 awarded by the board of directors and by a \$48,000 adjustment for the valuation of servicing rights.

More

UNIVERSITY BANCORP REPORTS \$160,481 1Q2007 UNAUDITED NET INCOME
Page 2 of 3

The following table summarizes the pre-tax net income (loss) of each profit center of the Company for the three months ended March 31, 2007 and 2006 (in thousands):

	<u>2007</u>	<u>2006</u>
Community and Islamic Banking	\$ (19)	\$ (36)
Midwest Loan Services	194	65
Corporate Office	(15)	(14)
Total	<u>\$ 160</u>	<u>\$ 15</u>

	For the Quarter Ended March 31, (in 000s)	
	<u>2007</u>	<u>2006</u>
Net interest income	\$ 874	\$ 638
Provision for loan losses	22	20
Total securities gains	-	-
Total other income	1,297	1,051
Total other expense	1,989	1,654
Income tax expense	-	-
Net income	\$ 160	\$ 15
Basic and diluted income per common share	\$0.04	\$ 0.00
Average shares outstanding	4,248	4,148
Net interest margin	4.95%	4.79%

	At March 31, (in 000s)		At December 31, (in 000s)
	<u>2007</u>	<u>2006</u>	<u>2006</u>
Loans & Loans Held for Sale	\$56,553	\$48,465	\$52,879
Allowance for loan losses	466	372	466
Deposits	80,751	54,623	78,882
Assets	89,663	63,397	87,272
Equity	5,408	5,321	5,251
Book value per share	\$1.27	\$1.28	\$1.24

Ann Arbor based University Bancorp owns 100% of University Bank which services a total of over \$3.70 billion in loans. 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

More

UNIVERSITY BANCORP REPORTS \$160,481 1Q2007 UNAUDITED NET INCOME

Page 3 of 3

Financial Corporation, the first and only Islamic Banking subsidiary of a bank in the U.S. University Islamic Financial Corporation offers mortgage alternative financing, the only FDIC-insured Islamic deposits (offered through University Bank) and Islamic equity mutual funds (offered through University Insurance & Investments, Inc.). University Bank also specializes in mortgage subservicing and mortgage origination primarily serving over 225 credit unions (representing 2.3% of all credit unions nationwide) through its Houghton-based 80%-owned subsidiary, Midwest Loan Services, Inc.

Any prediction of the future is inherently not assured. Investors should read the risk factors listed on pages 21 through 22 in the Company's report on Form 10K for the year ended December 31, 2006 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.

###