

For Immediate Release

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#### UNIVERSITY BANCORP REPORTS \$1,046,632 1H2007 UNAUDITED NET INCOME

Ann Arbor, Michigan, August 15, 2007 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income available to common shareholders of \$1,046,632 for the first half of 2007, versus a net loss of \$228,660 for the same period in 2006. Basic and diluted earnings (loss) per share for the 2007 and 2006 periods were \$0.25 and \$0.24, in 2007 and \$(0.05) and \$(0.05) in 2006, respectively. The 2007 result was in line with the budget.

Year-to-date key metrics have shown positive trends:

- Common shareholders' equity grew +21.5% (+43.0% annualized) to \$1.39 per share
- Loans and financings +9.6% (+19.1% annualized)
- Islamic profit sharing deposits +41.3% (+82.5% annualized)
- Islamic financings +25.1% (+50.3% annualized)
- Tier 1 Capital +17.8% to \$9,059,000
- Real estate owned, net (foreclosed real estate) -25.5%

Also, net interest and financing income grew 29.0% over the same period of 2006.

The Bank's subsidiary, Midwest Loan Services Inc., reported net income of \$1,170,000 for the second quarter of 2007 as compared to net income of \$184,000 for the same period in 2006. Income at Midwest was positively impacted in 2007 by a one time termination fee related to a sub-servicing contract severed in a previous period. The revenue was recognized in the current period as various uncertainties over the termination fee have been lifted. Community Banking reported a pre-tax net loss of \$224,000 during the current year's second quarter, an increase over a pre-tax net loss of \$130,000 for the same period in 2006. Net interest and profit sharing income decreased from the pace in the first quarter of 2007 and certain expenses were higher including a \$20,000 one-time legal expense at the Islamic subsidiary related to the finalization of commercial financing documents in Michigan, a \$17,000 one-time expense related to the restructuring of the Islamic trust administrative system to reduce costs going forward, and additional research & development and legal expenses related to legal work required for completing the work to offer residential financings in the first few states outside of Michigan. There were also several un-budgeted non-recurring expenses at the Community Banking operation in the second quarter totaling \$20,000.

At June 30, 2007, Midwest was subservicing 31,203 mortgages, a decrease of 3.8% from 32,461 mortgages subserviced at December 31, 2006 and a decrease of 13.4% from 36,012 mortgages subserviced at March 31,

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2007. In April 2007 Midwest lost 7,000 mortgages from its subservicing portfolio related to one Credit Union Service Organization that terminated the subservicing relationship to pull the work in-house. As a result of the ongoing growth of new clients, management projects that Midwest will have about 36,650 mortgages subserviced by September 1, 2007, which would mean that Midwest will more than replace the 7,000 mortgages it lost from its subservicing portfolio by then. The loss of subservicing also had a negative impact in higher costs related to the process of transferring the 7,000 mortgage portfolios out from Midwest. As escrow deposits decreased, the result was a lower net interest margin during the second quarter of 2007 versus the first quarter of 2007. However, the 2007 results did represent an improvement over 2006 results, because the overall level of mortgages subserviced, escrow and Islamic deposits, net interest margin, and loans outstanding all increased versus the 2006 results.

	For the Quarter Ended June 30, (in 000s) 2007		For the Six-Months Ended June 30, (in 000s) 2007	
	2006	2006	2006	2006
Net interest and financing income	\$ 814	\$ 670	\$1,688	\$1,308
Provision for loan losses	54	29	76	49
Total securities gains	0	0	0	0
Total other income	2,431	1,036	3,693	2,087
Total other expense	2,064	1,856	3,944	3,483
Income tax	20	0	20	0
Minority Interest	203	50	276	77
Net income (loss)	905	(229)	1,065	(214)
Preferred stock dividends	10	8	18	14
Net income (loss) available to common shareholders	\$ 895	\$ (237)	\$1,047	\$ (229)
Basic earnings (loss) per common share	\$ 0.21	\$(0.06)	\$ 0.25	\$(0.05)
Diluted earnings (loss) per common share	\$ 0.21	\$(0.06)	\$ 0.24	\$(0.05)
Weighted average shares outstanding				
Basic	4,248	4,245	4,248	4,197
Diluted	4,287	4,245	4,287	4,197
Net interest & profit margin	4.61%	5.09%	4.79%	4.86%

Period-end (in 000s except Book Value per share):

	June 30,		December 31,
	2007	2006	2006
Financings & Financings			
Held for Sale	\$57,468	\$48,548	\$52,879
Allowance for loan losses	520	402	466
Deposits	77,156	59,005	78,882
Assets	86,841	67,742	87,272
Equity	6,395	5,409	5,251
Book value per share	\$1.39	\$1.19	\$1.15

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At June 30, 2007 University Bank's Tier 1 Capital Ratio was 10.89%, an increase from 9.80% at December 31, 2006. Tier 1 Capital increased to \$9,039,000 from \$7,676,000 over this period. Over the past 20 months, the bank's Tier 1 capital has risen dramatically, from \$3,159,000 to nearly three times that level through a combination of earnings and strategic management decisions. President Stephen Lange Ranzini note, "With our current capital levels, University Bank could grow its balance sheet by 49% and still remain well capitalized at our long-term capital to asset goal of 7% Tier 1 Capital to Assets."

President Stephen Lange Ranzini noted, "Although University Bank is an active participant in the residential mortgage industry, it has never originated many types of riskier mortgage loans that are currently causing severe losses among our competitors. We've never originated any "interest-only", "optional payment", "negatively amortizing" or "no income verification" loans. We have originated and then sold to the secondary market a few hundred ALT-A and sub-prime loans, however, remarkably, this portfolio of loan servicing as of June 30, 2007 had zero delinquencies. Moreover, the bank owns no mortgage securities other than those guaranteed by GNMA, FNMA or FHLMC."

At June 30, 2007, University Bank's single family residential delinquencies over 30 days were 2.23% while press reports indicate that 7.4% of all Michigan residential mortgages are currently delinquent. President Stephen Lange Ranzini commented, "Despite the seventh year of a recession in Michigan, the bank's overall portfolio delinquencies were among the best in the 19 years that I've been with the bank."

Pre-tax income (loss) summary for the three and six-months ended June 30, 2007 (in thousands):

	Three-Months	Six-Months
Community Banking	\$ (224)	\$ (243)
Midwest Loan Services	1,170	1,364
Corporate Office	(21)	(36)
Total	<u>\$ 925</u>	<u>\$ 1,085</u>

Pre-tax income (loss) summary for the three and six-months ended June 30, 2006 (in thousands):

	Three-Months	Six-Months
Community Banking	\$ (130)	\$ (166)
Midwest Loan Services	184	249
Corporate Office	(283)	(297)
Total	<u>\$ (229)</u>	<u>\$ (214)</u>

Ann Arbor based University Bancorp owns 100% of University Bank which services a total of over \$4 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

Financial Corporation, the first and only Islamic Banking subsidiary of  
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mortgage alternative financing, the only FDIC-insured Islamic deposits a bank in the U.S. University Islamic Financial Corporation offers (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 230 credit unions (representing 2.4% 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 10KSB 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.

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