

For Immediate Release

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UNIVERSITY BANCORP REPORTS 2007 RESULTS

Ann Arbor, Michigan, March 31, 2008 – University Bancorp, Inc. (NASDAQ: UNIB) reported audited net income of \$645,000 versus a net loss of \$402,000 in 2006. Basic and diluted earnings (loss) per share for 2007 and 2006 were \$0.14 and \$(0.10), respectively. For the fourth quarter the unaudited net loss in 2007 was \$372,000 or \$(0.09) per share versus net loss in 2006 of \$52,000 or \$(0.01) per share.

Significant progress during the year was made with the following key metrics:

- Common stockholders' return on equity rose to 13.2% for the year
- Portfolio loans and financings increased by 15.4% to \$58.75 million
- Net interest & financing income increased by 24.3% to \$3.43 million
- Custodial escrow deposits increased by 29.51% to \$34.6 million
- Total loans subserviced increased by 7.5% to \$4.3 billion
- Mortgages subserviced increased by 4.5% to 33,937

Fourth quarter 2007 earnings were negatively impacted by \$333,000 in write-downs on mortgage servicing rights held by our Midwest Loan Services subsidiary due to the sharp drop in long term interest rates during the quarter. Also, Community Banking booked a \$172,000 additional allowance for loan losses during the quarter to bolster its reserves. 2007 results were negatively impacted also by the loss of a key account at Midwest Loan Services in April, which reduced our mortgages subserviced by over 7,000 loans. This was the first loss of a major customer since the year 2000 and the first ever credit union customer relationship lost by Midwest.

2006 results were negatively impacted by one-time costs of \$260,844 related to the restructuring of an agreement of our Islamic subsidiary to reduce future obligations under the original terms of that agreement.

At December 31, 2007, the Bank's Tier 1 leverage capital ratio was 9.7%, down from 10.2% at September 30, 2007 as the increased custodial escrow and Islamic deposits expanded the bank's balance sheet as planned.

President Stephen Lange Ranzini noted, "In the context of an ongoing Michigan recession, a 13% return on equity for the year for our bank is a very respectable result. Since we did not engage in any of the now criticized practices that have caused other financial institutions large financial losses and because we have been able to take advantage of recent turmoil in the financial markets to increase our income by sharply increasing the size of our AAA rated bond portfolio at excellent spreads, we are anticipating a record year in 2008 unless the economy declines more sharply than anticipated."

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	(Unaudited)			
	For the		For the	
	Quarter Ended		Year Ended	
	December 31,		December 31,	
	(in 000s)		(in 000s)	
	2007	2006	2007	2006
Net interest & financing income	\$ 857	\$ 842	\$3,429	\$2,759
Provision for loan & financing losses	172	47	264	153
Securities gains	11	-	89	-
Total other income	1,279	1,186	6,192	4,468
Total other expense	2,460	2,022	8,598	7,361
Minority interest in consolidated subsidiaries' earnings	(27)	31	270	135
Income tax benefit	86	20	66	20
Net income (loss)	\$(372)	\$(52)	\$ 645	\$(402)
Basic earnings (loss) per common share	\$(0.09)	\$(0.01)	\$ 0.14	\$(0.10)
Diluted earnings (loss) per common share	\$(0.09)	\$(0.01)	\$ 0.14	\$(0.10)
Average shares outstanding				
Basic	4,248	4,248	4,248	4,223
Diluted	4,248	4,248	4,285	4,223
Net interest & profit margin	4.62%	4.84%	4.75%	4.76%
Period-end:	December 31,			
	2007	2006		
Loans & financings including those held for sale	\$60,063	\$52,879		
Allowance for loan & financing losses	686	466		
Deposits	78,657	78,882		
Assets	88,238	87,272		
Equity	5,984	5,251		
Book value per common share	\$1.29	\$1.15		

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

2007	Three Months	Year
Community & Islamic Banking	\$(636)	\$(1,650)
Midwest Loan Services	191	2,584
Corporate Office	(33)	(87)
Eliminations	22	(268)
Total	<u>\$(456)</u>	<u>\$ 579</u>

2006	Three Months	Year
Community & Islamic Banking	\$(301)	\$(951)
Midwest Loan Services	280	1,015
Corporate Office	(18)	(351)
Eliminations	(36)	(135)
Total	<u>\$(75)</u>	<u>\$ (422)</u>

Note that the allocation of costs between Midwest Loan Services and Community & Islamic Banking for the interest on custodial deposits of Midwest Loan Services held on deposit at Community Banking skews the profit of the individual units as Midwest earns interest on the escrow deposits which is eliminated in consolidation, as the expense is an inter-company expense among our two subsidiaries. Most of the eliminations are at the University Bank level among University Bank, Midwest Loan Services and Community & Islamic Banking.

Subsequent Event. Taking advantage of the recent turmoil in the mortgage bond market University Bank in the past two weeks has purchased a total of \$25.4 million in AAA rated U.S. Government Agency guaranteed bonds in the form of collateralized mortgage obligations with an expected yield based on current consensus mortgage repayment rates of 6.02% and an average expected life of 0.92 years. The bonds were purchased with a mix of Fed Funds on hand and some borrowings from the Federal Home Loan Bank of Indianapolis at a blended cost of the funds of 2.30% and assuming no substantial changes in the interest rate curve and that mortgage prepayment speeds for the mortgage underlying the securities pay at current consensus, would generate additional annualized earnings at the rate of \$942,000 per year declining over time as the securities prepay or an estimated \$720,000 in additional net income over the next 12 months. The bank's balance sheet was expanded by about 11% as a result of the transactions and the bank's securities portfolio now represents about 31% of its assets, which is more in line with peer group levels. Management now projects 2008 net income to be in the range of \$2 million to \$2.5 million, or \$0.47 to \$0.59 per share. Investors' attention is drawn to the cautionary remark in the final paragraph of this press release.

Ann Arbor-based University Bancorp owns 100% of University Bank which services a total of over \$4.5 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 through its creative and innovative services to meet the financial needs of its community. 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 Financial offers home 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 in the U.S.) 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 23 through 24 in the Company's report on Form 10K for the year ended December 31, 2007 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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