

For Immediate Release

Contact: Stephen Lange Ranzini, President and CEO

Phone: 734-741-5858, Ext. 226

Email: ranzini@university-bank.com

UNIVERSITY BANCORP REPORTS 1Q2008 RESULTS

Ann Arbor, Michigan, May 16, 2008 – University Bancorp, Inc. (NASDAQ: UNIB) reported unaudited net income available for common stockholders of \$245,290 for the three months ended March 31, 2008 versus net income of \$152,121 in the first quarter of 2007. Basic and diluted earnings per share for 2008 and 2007 were \$0.06 and \$0.04, respectively.

Common stockholders' annualized return on equity rose to 17.8% for the quarter. Total assets rose 15.6% versus year-end 2007 to exceed \$100 million for the first time in the 108-year history of the bank.

Total deposits rose 16.7% versus year-end 2007.

President & CEO Stephen Lange Ranzini stated, "First quarter 2008 earnings were ahead of our budget. We remain on course to produce earnings of between \$2 million and \$2.5 million in 2008."

At March 31, 2008, the Bank's Tier 1 leverage capital ratio was 9.2%, down from 9.7% at December 31, 2007 as increased custodial escrow and Islamic deposits expanded the bank's balance sheet as planned. Several commercial loans on our watch list were paid in full during the quarter releasing specific reserves from our allowance for loan losses. During the quarter the only commercial building held as other real estate owned was sold. In addition, three of the five residential loans held as other real estate owned were either sold subsequent to quarter-end or are under contract for sale in the month of May.

Taking advantage of the recent turmoil in the mortgage bond market University Bank in late March and early April purchased a total of \$25.4 million in AAA rated U.S. Government Agency guaranteed bonds in the form of U.S. government agency issued 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 2.05% 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 \$1,005,000 per year declining over time as the securities prepay or an estimated \$768,000 in additional net income over the next 12 months. The bank's average monthly balance sheet was expanded by about 11% as a result of the transactions and the bank's securities portfolio now represents about 25% of its assets, which is more in line with peer group levels.

During the quarter, the Bank formed a new corporation called University Lending Group, LLC, ("Lending") which commenced operations on April 1, 2008. The purpose of Lending will be to market, originate, process, close and sell secondary mortgage market loans primarily to HUD, but also to FHLMC and FNMA and other investors on a servicing released basis. The primary source for these originations will be mortgage brokers from a number of states. Additionally, production is expected to come from retail originators working for Lending including one serving as the inside mortgage sales originator for one of the largest regional Realtor® firms in southeast Michigan. The funding of

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the mortgage loans will come from University Bank. The expertise to run the operation will come from the Managing Members of Lending, including an experienced management team with whom the Bank has previously been in a successful partnership in a similar business. University Bank will also provide accounting back office support to Lending.

The Managing Members of Lending have been in the Mortgage Banking business for over 50 years collectively and have been in this business before with University Bank. The previous joint venture was known as Varsity Mortgage Services, LLC and while operated between the years 1996 and 2000 brought combined profits to the partners of over \$4.2 million on a \$300,000 initial investment. In addition, University Bank made substantial profits from the net interest income generated by the mortgage loans held for sale generated by that business. A pipeline of mortgage loans held for sale of this type offers University Bank a low risk high return use of funds for its excess liquidity and excess capital. As part of the deal, University Bank is guaranteed a minimum 15% return on its Tier 1 capital employed in Lending, once Lending reaches cumulative retained earnings of \$25,000.

The Managing Members of Lending have invested \$300,000 in cash equity in Lending for a 49.99% stake, which was matched by another \$300,000 from University Bank, which will hold a 50.01% stake. The business plan of Lending contemplates initial start-up expenses of about \$100,000 over the first four months, which will be borne by the Managing Members, and then ongoing monthly profit for University Bank of about \$50,000 a month starting later in the year, if the business volumes and margins are achieved. The risks of this business based on current market conditions are more closely tied to a scarcity of loans than market risk. The substantial industry contacts that the management team have should provide the expected level of business particularly in light of the fact that HUD mortgage lending nationwide is currently growing rapidly and the fact that the market share of FHA and VA lending under HUD's single family mortgage programs has risen from 3% in 2006 to over 25% today.

President & CEO Ranzini noted, "Teams skilled in HUD wholesale lending are in strong demand today and we are pleased to be able to add such a strong group of managers to form this new subsidiary of University Bank."

Mortgage loans subserviced passed the \$5 billion mark on April 1, 2008 and are now currently at \$5.2 billion with over 39,600 mortgages subserviced.

The following table summarizes the pre-tax net income (loss) of each profit center of the Company for the three months ended March 31, 2008 and 2007 (in thousands):

	2008	2007
Community and Islamic Banking	\$ (311)	\$ (296)
Midwest Loan Services	583	544
Corporate Office	(15)	(15)
Eliminations	<u>(20)</u>	<u>(73)</u>
Total	\$ 237	\$ 160

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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; 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.

(Unaudited) for the Quarter Ended March 31(in 000s)

	<u>2008</u>	<u>2007</u>
Net interest & financing income	\$ 871	\$ 874
Provision (benefit) for loan & financing losses	(16)	22
Net trading securities gains	10	-
Total other income	1,425	1,297
Total other expense	2,065	1,916
Minority interest in consolidated subsidiaries' earnings	20	73
Income tax benefit	20	-
Net income	\$257	\$160
Preferred stock dividends	12	8
Net income available for common stockholders	\$245	\$152
Basic earnings per common share	\$ 0.06	\$ 0.04
Diluted earnings per common share	\$ 0.06	\$ 0.04
Average shares outstanding		
Basic	4,248	4,248
Diluted	4,288	4,287
Net interest & profit margin	4.27%	4.95%

	Period End:		
	2008	March 31, 2007	December 31, 2007
Loans & financings including those held for sale	\$59,120	\$56,553	\$60,063
Allowance for loan & financing losses	447	466	686
Deposits	91,817	80,751	78,657
Assets	101,992	89,663	88,238
Equity	6,267	5,408	5,984
Book value per common share	\$1.35	\$1.27	\$1.29

Ann Arbor-based University Bancorp owns 100% of University Bank which services a total of over \$5.2 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 residential and commercial real estate financing, the only FDIC-insured Islamic deposits (offered through University Bank) and Islamic equity mutual

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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. University Insurance & Investment Services is a 100%-owned subsidiary that provides a full range of insurance services as an independent agent for 49 insurance companies and investment brokerage account services. University Lending Group is a Farmington Hills-based 50.01%-owned subsidiary that originates HUD and other mortgage loans on a wholesale and retail basis.

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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