

University Bancorp, Inc.

ANNUAL REPORT

2001

* The turnaround continues at the Bank

UNIVERSITY BANCORP, INC.
Business of the Company

University Bancorp, Inc., a Delaware Corporation (the "Corporation"), operates as a bank holding company through its wholly owned subsidiary, University Bank.

University Bank (the "Bank") is a \$45 million asset, FDIC-insured, locally-owned and managed Community Bank.

The Bank sells insurance and investment products through its wholly-owned subsidiary, University Insurance & Investment Services, Inc.

The Bank owns 80% of Midwest Loan Services, of Houghton, Michigan, a residential mortgage subservicing firm.

The Company owns 6.1% of Michigan BIDCO, Inc., a Business and Industrial Development Company licensed by the Michigan Financial Institutions Bureau under the State of Michigan BIDCO Act, which invests in businesses in Michigan through loans and equity participations or a combination thereof, with the objective of fostering job growth and economic development.

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UNIVERSITY BANCORP INC.'s MISSION STATEMENT

"We will be a niche-oriented provider of financial services, which uses the highest ethical standards and proven and experienced management."

* * *

PRESIDENT'S MESSAGE

Your company ended 2001 with a loss of \$306,573, versus \$914,647 for the prior year, a 66.5% improvement. Net interest income rose 40.0% during 2001, driving improved results at the Bank.

We are very pleased to see the Bank make continued progress towards profitability. However, only after we're producing an annual profit from recurring operations will we consider our multi-year turn-around to be complete. We feel that the details are a cause for optimism in that we made a profit in two quarters of 2001 and core banking income is definitely increasing. University Bancorp's wholly-owned subsidiary, University Bank, had a net loss for 2001 of \$185,318, a substantial improvement from the \$642,498 loss incurred by the Bank in 2000.

Barring four sizeable non-recurring items, both University Bancorp and University Bank, our company's primary subsidiary, would have made a profit for the entire 2001 year. Those non-recurring items were:

Midwest Servicing Rights Valuation	\$224,175	(Bank)
Foreclosed Real Estate Valuation	\$ 66,829	(Bank)
Non-cash Stock Compensation	\$ 31,200	(Bank)
BIDCO Loss	\$114,551	(Bancorp)

The following non-recurring items negatively impacted the Bank's result:

1) Midwest Servicing Rights Valuation. The Bank's Midwest Loan Services subsidiary took a writedown on its servicing rights of \$224,175 because long term rates temporarily dipped to 40-year lows immediately following the terrorist attacks in September (once written down the servicing rights can't be written up under GAAP even though long term rates did subsequently rise). The write-down reduced Midwest's basis in servicing rights from \$713,935 to \$489,770. The risk in the remaining rights is effectively offset by a principal-only mortgage-backed security investment that increased income during 2001 by \$120,385;

2) Foreclosed Real Estate Valuation. In early 2001, management engaged an experienced real estate company to develop an other real estate owned site carried on the Bank's books. During 2001, the Bank wrote-down its investment in this property to \$200,000, incurring a \$66,829 loss. All planning approvals for the proposed development have been received and the Bank anticipates closing on the sale of the property by the end of the third quarter 2002 at the contracted price of \$300,015. This site is the only foreclosed real estate currently owned by the Bank other than a house that is on the books for \$63,138 and a sale is pending for \$82,000 that is anticipated to close by the end of the second quarter 2002.

3) Stock Compensation Expense. The Bank expensed \$31,200 in non-cash compensation expense related to an incentive we provided as a hiring bonus to a new executive officer in 2001.

The total of these non-recurring items is \$322,194. Without these items, the Bank's income would have been a positive \$136,876 in 2001.

4) BIDCO Loss. In addition, the bank holding company took a write-down of \$114,551 on its investment in the common stock of Michigan BIDCO to \$29,152 as a result of several factors including the writedown of one investment, and research and development expense related to two e-payment patents that were applied for during the year. The Bank's investment in the BIDCO is now \$600,000 in 7.5% cumulative preferred stock. The Bank realized no income from its equity investment in the BIDCO in 2001 (although a capital restructuring of the BIDCO during the year reduced the Bank's cash invested in the BIDCO by \$600,227). Management estimates that the BIDCO preferred stock dividends and ultimate redemption of the preferred stock should increase the Bank's income in 2002 and subsequent years by \$45,000.

The following table summarizes the pre-tax income (loss) of each profit center of the Company for the years ended December 31, 2001 and 2000 (in thousands):

Twelve months ended December 31, 2001 and 2000 Income (Loss) Summary

	2001	2000
Community Banking	\$(414)	\$(1,314)
Midwest Loan Services	237	436
Merchant Banking (Michigan BIDCO)	(115)	235
Corporate Office	(15)	(272)
Total	\$(307)	\$ (915)

Community Banking

University Bank. The Bank's main office in Ann Arbor opened February 6, 1996. University Bank operates as a full service community bank and is insured by the Federal Deposit Insurance Corporation.

Net Interest Income. The focus of management's plan in 2001 was to increase the Bank's net interest income. This plan was achieved and net interest income as a percent of the Bank's earning assets increased to 4.37% in 2001 from 3.33% in 2000. The sharp drop in short term interest rates in 2001 is having a positive impact on the Bank's results. Also our program to increase core checking accounts at the Bank has resulted in a positive shift towards more core deposits and a better mix of demand deposits versus higher cost CDs. Our Michigan bank peer group achieved a net interest margin of 4.12% in 2001, so we exceeded our peer group's result. During the second half of 2002 we have an opportunity to increase our net interest margin further by bringing in-house a portion of the \$17,000,000 in low cost mortgage escrow deposit accounts controlled by Midwest Loan Services, now held at another financial institution, and by shedding up to \$9,300,000 in higher cost brokered CDs.

Non-Interest Income at the Bank in 2001 was \$484,103 in 2001 versus \$278,855 in 2000, an increase of 73.6%. The personnel changes in the mortgage department had a substantial positive impact on increasing mortgage origination volume and fee income. Also, CEO Rebecca David led a team of senior management at the Bank which reviewed all fees at the bank with the goal of moderately increasing fee income. Recently, we signed an agreement to add an overdraft protection program that may add \$12,000 a month in additional fee income once it is up and running later this year. The Bank's non-interest income was 1.03% of assets in 2001, 24% higher than our peer group's 0.83%.

Non-Interest Expenses. For 2001, operating expenses at University Bank were \$190,668 above budget. The result would have been even better except that we wrote-off a total of \$66,829 related to the Easterday ORE Property during the

third quarter, and incurred \$132,300 in unusual one-time expenses when the Bank reimbursed University Bancorp for expenses associated with the final earn-out payments related to the 1995 acquisition of Midwest Loan Services during the fourth quarter of 2001. Excluding these non-recurring items, non-interest expense was within \$10,000 of the budgeted amount of \$2,542,483, the second year in a row that we have achieved such accuracy in our budgeting for the bank's non-interest expenses. Non-interest expenses are the single most controllable item in operating a bank and we believe that achieving the target is indicative of the quality of the management of the Bank and indicative to our dedication to the discipline of cost-control. To achieve this result, during the year we changed the majority of our outside vendors to decrease costs: janitorial service, outside groundskeeper, correspondent bank, courier, armored guard transport, ATM servicer, ATM maintenance, equipment maintenance service provider and mail consolidator. Additional changes that we have identified will further improve these results. A round of changes and cuts was implemented in April that will decrease monthly expenses by another \$12,500 a month. For example, the bank recently switched its courier, armored guard service, local and long distance telephone service provider, certified check and money order check vendor and check vendor. Very recently we reduced the cost of the internet service provider with additional savings of \$1,000 a month. The Bank's non-interest expense, at 5.73% of assets in 2001, is still much higher than our peer group's 3.55%. However, this is indicative of our growth potential because we could run a much larger asset base with the resources we have. As we add assets, our costs should be relatively fixed.

Marketing. Our advertising campaign is now focused more on George, our cartoon "cool cat" with "Blues Bankers" dark sunglasses and a dark hat. The underlying theme of the campaign remains the same:

at University Bank we offer a qualitatively different experience -

- * Local Decision-Making
- * Our Customers Receive Personal Service and Attention
- * Competitive Pricing
- * All Financial Services Products Available
- * Low Fees

Our new Community Unity program has achieved some success with local non-profits. We are providing commissions to area non-profits for bringing us their supporters' banking accounts. During the year we increased the number of full-time commissioned deposit sales people to two and added a third full-time commissioned deposit sales person in 2002. CEO Rebecca David had great success with the commissioned deposit sales force at Franklin Bank and we want to replicate that success at University Bank over the next few years.

The Future. Our challenge in 2002 and 2003 is clear. Net interest income exceeds our peer group as does non-interest income. Non-interest expense is 61% higher than our peer group and we must bring this number in line in two ways, by cutting costs further and by increasing the Bank's assets without increasing costs. University Bank is unusual in the industry in that we have most of our core systems in-house. This means that an increase in volume does not increase expenses. The other main difference between our bank and the industry (other than our ownership of a major operating subsidiary, Midwest Loan Services) is that University Bank does not have an investment portfolio. If the Bank had a higher capital level and had a \$25 million investment portfolio, it's non-interest expense ratios would be in line with our peers, and with the changes in process in 2002 our non-interest income would also be in line with our peers. If we added an investment portfolio, our net interest margin would be slightly below our peers because the investment portfolio would have a lower margin versus our existing asset base, but as our core demand deposits increase through

the efforts of our commissioned deposit sales force to more typical peer levels, this would also fall into line. In sum, we are coming down the home stretch of the long process towards turning the Bank around.

PRODUCTS

Studies indicate that only four key products truly tie a customer to a bank: checking accounts, home mortgage loans, insurance and investment services. Here is how University Bank and its subsidiaries provide these services:

Checking accounts

Special programs for small businesses and non-profit organizations
Free checking: no minimum balances and no fees from University Bank;
NOW Checking: Interest-bearing checking from University Bank;
Money Market Deposit Account: Wall Street money market fund interest rates with up to three checks per month;

Home mortgages

FNMA/FHLMC: standard home mortgages up to \$275,000 from University Bank and Midwest Loan Services;
Jumbo: home mortgages of more than \$275,000 from University Bank;
First-Time Homebuyer: low downpayment mortgages from University Bank;
Home Construction: from University Bank;

Insurance

Life Insurance: individual, key person or second survivor from University Insurance Center;
Annuities: tied to fixed interest rates, or the stock market from University Insurance Center;
Health: from University Insurance Center
Business: from University Insurance Center
Auto/Vehicle: from University Insurance Center
Home: from University Insurance Center
Renters: from University Insurance Center
Company Benefits Programs: from University Insurance Center

Investment Services

Mutual Funds: University Insurance & Investments
Discount Brokerage: University Insurance & Investments
Money Management: University Insurance & Investments
IRAs (Standard IRAs, Roth IRAs, Education IRAs): University Insurance & Investments

Beyond the core services, University Bank also offers the following services: Small Business Loans; Commercial Real Estate Loans; Certificates of Deposit; Home Equity Lines; Home Improvement Loans; VISA Home Equity Gold Card; Car/Vehicle Loans; Bridge Loans; Cashier's Checks and Money Orders; Savings Bonds.

The Bank is very interested in doing business with our shareholders. We encourage shareholders to learn more about our deposit, loan, investment and insurance products at 1-888-DO-TRY-US.

MEMBER FDIC
EQUAL HOUSING LENDER

PRODUCTS SOLD BY UNIVERSITY
INSURANCE & INVESTMENT SERVICES
AND UNIVERSITY INSURANCE CENTER
ARE NOT INSURED

Mortgage Banking

Midwest Loan Services. The Company owns 80% of Midwest Loan Services, Inc. which was purchased by the Bank in December 1995. Midwest's business strengths are that it operates from a low cost location (the western Upper Peninsula of Michigan), has a technology-savvy management team and has a loyal customer base in the rapidly growing credit union industry.

For four years we nurtured Midwest, and 2000 saw some return on our investment for the first time, as Midwest's pre-tax profits increased from a loss of \$72,936 in 1999 to \$504,050 in 2000. Unfortunately 2001 saw a regression, with a reduction in profits to \$360,218. The Credit Suisse account which we gained in early 2000 was lost in mid-2001, when Credit Suisse decided to move their business to a new in-house subservicing operation and decided to end the subservicing business they were doing with Midwest.

Until Credit Suisse came along, Midwest had been focused on its niche of providing full service mortgage banking and mortgage subservicing to credit unions. All parts of the mortgage process can be handled by Midwest for credit unions, including mortgage origination, processing and underwriting. As a result, Midwest has over 50 credit union business partners. After devoting 100% of its attention to the growth from Credit Suisse during the first half of 2001, in the second half of 2001, Midwest returned to its original business plan of serving credit unions. During 2001 Midwest added business relationships with 2 of the top 10 credit unions in the U.S. and recently signed a deal with U.S. Central Credit Union (the "central bank" of the credit union industry) covering jumbo mortgage subservicing. We also dramatically expanded our mortgage origination operation serving credit unions. In 2001 we originated 939 mortgages, and volumes increased in nearly every month of the year from 12 in January 2001 to 135 in December 2001 (we closed 185 in January 2002).

Credit Suisse and these major credit unions hired Midwest because of Midwest's unique Internet extranet designed for its business partners and customers. Business partners can access all home mortgage data for their loan portfolios on both a total portfolio and specific loan basis on-line through the Internet 24 hours a day 365 days a year using passwords and VerisignTM security technology. Customers can also access their own loan payment history, interest and taxes paid information, and their escrow account history at any time via the Internet. Customers can also make a loan payment from their account at any financial institution in the U.S. on-line at any time once they receive their password. Midwest was the first subservicing firm in the nation to implement an internet-based ASP business model and is recognized in the industry as an Internet technology expert.

During 2001 we continued to enhance our online capabilities by forming a business alliance with Prime Alliance. The Prime Alliance online mortgage origination system can give an experienced loan originator a firm underwriting approval from FNMA's system in just seven minutes from start to finish. An inexperienced consumer can get the same result in about 15-20 minutes. We believe that the Prime Alliance system is the best online mortgage origination tool in existence and we plan to roll this out to our credit unions in late May and early June 2002. All our Midwest's services including a "test drive" for non-customers is available via <http://www.subservice.com>.

The subservicing operation has a high marginal profitability once a point of critical mass is reached. The new origination activities took time to build, so the third and fourth quarters of 2001 were challenging. However, the intermediate term opportunity is for more stable, long term profits under guaranteed contracts at Midwest. Midwest ended the year with 5,052 mortgages under servicing, and has been adding an average of 200 loans a month from its origination activity in 2002. That plus a few new accounts should grow the portfolio by at least 50% during 2002. Midwest should be able to return to

consistent profitability at levels approaching 2000 and 2001's results, but from a more diversified and more stable customer base.

Investment and Insurance Activities

University Insurance & Investment Services. University Bank owns 100% of University Insurance & Investment Services, which sells a full range of insurance products including health, auto, homeowners, business, renters and life insurance as an Independent Insurance Agent representing a variety of insurance companies. We also sell all investment products including variable life insurance, mutual funds and annuities through a broker dealer arrangement. By selling all types of insurance and investment products to our existing customers, and providing exceptional customer service, we hope to strengthen their customer loyalty and overall customer profitability. When a customer has five or more products from a financial services company, they almost never leave.

In early 2000, we began offering stock and bond money management for a fee. I am the manager, so feel free to contact me if you are in need of professional money management and don't want to use any of our agency's wide selection of mutual funds or annuities. My funds under management reached \$2 million by year-end 2001, but after year-end increased to \$3.5 million.

Revenue at the agency increased 35.7% from \$71,899 to \$97,598 and the net loss decreased to \$3,823 from \$89,186 in 2000. We are very pleased with the fine job that agency President & CEO, Edie Kingsley has done, since research by Marsh Berry shows that, on average bank-owned property & casualty insurance agency take 4.5 years to achieve positive earnings. Our agency was profitable in the first quarter of 2002, so we have achieved our initial goal in just under three years. Looking ahead, we believe that the agency can continue to grow strongly and this will further strengthen the bank and increase customer loyalty.

Investment Portfolio. The Bank's securities portfolio had an excellent result because of the decline in long term interest rates during the year. Yields on 30-year Treasury bonds dropped from 5.50% to a low of 4.66%, a decrease of 15%. To hedge our bets, we sold our 26-year U.S. Treasury Strip and purchased a 15-year U.S. Treasury Strip for a \$12,639 gain. In addition, the bonds increased in market value during the year by \$167,254. Overall, the total return on the Bank's securities portfolio was 18.18% and the current yield was 9.63%. We believe that interest rates could ultimately head quite a bit lower in the current no inflation, recessionary environment, so we are holding these securities to moderate the risk in the servicing rights still held by our subsidiary Midwest Loan Services.

Corporate Office

Holding Company Investments. The holding company owns 6.1% of Michigan BIDCO. The BIDCO invests in businesses which cannot gain access to traditional bank financing. The BIDCO makes its investments in the form of loans with either an equity option or participation right in the companies in which it invests. The BIDCO has about \$3,000,000 of risk-capital under management, including \$2,000,000 in Northern Michigan Foundation, which the staff of the BIDCO manages under contract. As previously discussed, the bank holding company took a write-down of \$114,551 on its investment in the common stock of Michigan BIDCO during 2001. Our share of the BIDCO's profit earned us \$234,740 in 2000. At year-end 2001, our investment in Michigan BIDCO was carried at \$29,152.

The BIDCO staff spent most of the year focused on converting to cash many of the BIDCO's earlier successful investments to raise the money required to buy out the Bank's investment in the BIDCO. Overall, the BIDCO's goal for 2002 is

to expand the money under management in its various programs, including BIDCO, Northern Michigan Foundation and a new Rural Business Investment Company that it hopes to form.

Holding Company Operations. The corporate office had net pre-tax expense of \$7,111 during 2001 versus net expense of \$300,893 in 2000. The \$139,412 amortization of the Midwest acquisition goodwill mentioned above was a major expense in 2000, but reimbursed to the Company by the Bank during 2001, causing a reduction in expenses. Excluding this item, non-interest expenses in 2001 were \$94,020 up from \$71,599 in 2000, almost all of that related to the cost of being a public company, which increased during the year.

Deferred Tax Asset. As a result of the losses sustained from operations, and the Bank's investment in a low-income housing tax credit partnership through the Bank's 10%-ownership investment in Michigan Capital Fund for Housing L.P. I, the Company has generated more tax credits than taxable income. At year-end 2001, the Company has a deferred tax asset of \$1,326,760, available to offset taxes in future years. This asset is carried on the Company's balance sheet at \$0. If the Company is profitable in future years, this deferred tax asset will increase future years' income as an offset to reported tax expense.

IN CONCLUSION

If you've read this far, I hope you understand that the past is not prologue. In 1997 we incurred a pre-tax loss from continuing operations of \$1,673,873. In 2001, including a few negative unusual items, that was down by over \$1,367,300 or 82%, to \$306,573, and we made a profit in the first quarter of 2002 and have budgeted for a profit for the 2002 full year. Excluding the unusual items, we would have made a profit in 2001. Constant improvement in all areas of operations can continue the positive trend, which would lead us to a bright future.

A Reminder. The Bank is very interested in doing business with our shareholders. We encourage shareholders to learn more about our deposit, loan, investment and insurance products at 1-800-DO-TRY-US. We find that we can save nearly everyone money on these services or increase the returns on their investments. Isn't it worth a few minutes of your time to check into what we can do for you since you are a part owner of the Bank?

Thanks. I wish to thank the employees of the Company for their loyal support, hard work and dedication over the past year. This Company's achievements are due to the efforts and loyalty of its employees, and to the support of our directors, business associates and stockholders. Lastly, thanks are also due to our stockholders for their continued interest and support, especially those shareholders who exercised their rights to buy additional shares in our rights offering that raised \$1,659,749 of additional capital at \$1 per share. We look forward to seeing you at our upcoming annual meeting at the Bank's main office in Ann Arbor, June **, 2002.

Sincerely,

Stephen Lange Ranzini,
President and Chief Executive Officer
University Bancorp, Inc.

Ann Arbor, Michigan
June 7, 2002
email: ranzini@university-bank.com

This Report contains forward-looking statements which reflect the Company's expectation or belief concerning future events that involves risks and uncertainties. Among others, certain forward looking statements relate to the continued growth of various aspects of the Company's community banking, mortgage servicing and investment activities, and the nature and adequacy of the allowance for loan losses. The Company can give no assurance that the expectations reflected in forward looking statements will prove correct. The future is inherently unpredictable. Various factors could cause results to differ materially from the Company's expectations. Among these factors are those referred to in the introduction to the Company's Management Discussion and Analysis of Financial Condition and Results of Operations which appear at Item 7. of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, which should be read in conjunction with this Annual Report.

The above cautionary statement is for the purpose of qualifying for the "safe harbor" provisions of Section 21E of the Securities Exchange Act of 1934.

Washtenaw County Financial Institution Deposits:

	2001	2000	1999
TCF National Bank	16.2%	16.3%	17.8%
National City Bank	11.9%	12.6%	12.8%
Comerica Bank	11.9%	11.4%	10.7%
Bank One	9.4%	10.4%	11.1%
Key Bank	7.2%	7.9%	7.3%
Standard Federal FSB	6.2%	6.4%	6.7%
Flagstar Bank FSB	5.1%	4.8%	4.0%
Ann Arbor Commerce Bank	4.9%	4.8%	4.5%
University of Michigan CU	4.2%	3.8%	3.5%
Bank of Ann Arbor	3.9%	3.4%	2.8%
Chelsea State Bank	3.1%	3.4%	3.3%
Huron River Area CU	3.1%	3.1%	3.0%
Citizens Bank	2.8%	3.0%	3.2%
Republic Bank	2.3%	1.9%	2.3%
Midwest Financial CU	2.1%	2.1%	2.0%
Automotive CU	1.3%	1.4%	1.4%
United Bank & Trust	1.3%	1.1%	0.9%
University Bank	0.9%	0.9%	0.9%
Charter One FSB	0.7%	0.7%	0.7%
Bank of Washtenaw	0.6%	0.0%	0.0%
4 Credit Unions, 1 Bank	0.9%	0.6%	1.2%
Total Deposits (billions)	\$4.342	\$3.942	\$3.865

Total deposits in the county increased 10.2% from June 2000 to June 2001. Total deposits in the county increased 2.0% from June 1999 to June 2000.

Our main office is adjacent to the University of Michigan Hospital Complex. The Complex employs a total of 7,800 persons. In mid-February 1999, the nearest competitor to the Bank's main office, a National City Bank branch, was permanently closed. The other major competitor in the local deposit market is Midwest Financial Credit Union, formerly known as Hospital & Health Services Credit Union. Our main office was formerly the headquarters of this credit union, which moved its office to a new office building three miles from the Hospital Complex.

The Ann Arbor banking market is dominated by banks which are owned by out-of-area bank holding companies. In the city of Ann Arbor, the University of Michigan Credit Union is the largest locally-owned financial institution. The only locally-owned community financial institutions, excluding University Bank, are Huron River Area Credit Union, Midwest Financial Credit Union, Bank of Ann Arbor and several smaller credit unions.

Directors and Officers

University Bancorp, Inc.

Board of Directors

Joseph L. Ranzini, Director, Chairman of the Board and Secretary; President and Chairman of the Board, Michigan BIDCO and Northern Michigan Foundation, Community Development Organizations

Stephen Lange Ranzini, Director, President & Chief Executive Officer; President and Chairman, University Bank; Treasurer and Director, Michigan BIDCO and Northern Michigan Foundation

Gary Baker, Director; Director, Automotive Global Industry Group, EDS

Robert Goldthorpe, Director; President of Goldthorpe Enterprises, a diversified holding company

Dr. Joseph Lange Ranzini, Director; General Surgeon in Private Practise

Paul Lange Ranzini, Director; Ph.D. Candidate in Musicology at the University of Chicago and Managing Editor, A-R Editions, a professional musicology publishing house.

Michael Talley, Director; Account Executive, Ladenburg, Thalmann & Co., a brokerage firm

Executive Officers

Stephen Lange Ranzini, President and Chief Executive Officer

Joseph L. Ranzini, Secretary

Directors and Officers

University Bank

Board of Directors

Rebecca David, Chief Executive Officer, University Bank

Read Dunn, Owner, Great Lakes Real Estate, Commercial Real Estate Lendor, and former CEO of Franklin Bank, Southfield, Michigan

Rev. Melvin Lewis, Pastor St. James Church of God in Christ

Rev. Willie Powell, Executive Director, City of Ann Arbor Employees Retirement System

Joseph L. Ranzini, Chairman of the Board and Secretary, University Bancorp; President and Chairman of the Board, Michigan BIDCO and Northern Michigan Foundation, Community Development Organizations

Stephen Lange Ranzini, President & Chief Executive Officer, University Bancorp; President and Chairman, University Bank; Treasurer, Michigan BIDCO and Northern Michigan Foundation; Chairman, Midwest Loan Services; Chairman, University Insurance & Investment Services

Officers

Janet Anderson, Vice President, Director of Human Resources, Internal Auditor & Secretary

Edward Burger, President, Midwest Loan Services

Rebecca David, Chief Executive Officer

Nicholas Fortson, Treasurer

Chris Graunstadt, AVP Operations & Accounting

Lisa Hudy, AVP Business Development Officer

Edie Kingsley, President & Chief Executive Officer, University Insurance Center

Peggy Lamb, Vice President - Collections

Patrick McKeon, Vice President - Commercial Lending

Tom Peregoy, AVP Business Development Officer

Stephen Lange Ranzini, Chairman & President

Pete Richards, AVP Business Development Officer

Penny Richardson-Schroeder, AVP Residential Loan Originator

Julie Rollins, Vice President & Branch Manager

Stacy Shepanski, Vice President - Consumer Lending

John Sickler, Vice President - Residential Lending

Brian Schwab, AVP Cashier

Joseph Warren, Vice President, Management Information Systems

Common Stock and Dividend Information

The Company's Common Stock trades on The NASDAQ Small-Cap Market under the symbol UNIB. As of March 31, 2002 there were approximately 375 stockholders including approximately 240 beneficial owners of shares held by brokerage firms or other institutions. The high and low sales prices of the Company's common stock as quoted by NASDAQ, for each quarter of the two year period ended December 31, 2001 are listed below. The quotations represent interdealer prices only, without retail markups, markdowns or commissions, and may not necessarily represent actual retail transactions:

	High	Low
2000		
First Quarter	\$2 5/8	\$1 3/4
Second Quarter	1 7/8	1
Third Quarter	2 1/16	1/4
Fourth Quarter	3 1/2	1/2
2001		
First Quarter	\$2 1/2	\$0 1/2
Second Quarter	2 1/8	1 1/2
Third Quarter	2 61/64	1 45/64
Fourth Quarter	2 1/2	0 53/64

No cash dividends have been paid on the Company's Common Stock. The Company does not currently anticipate declaring or paying dividends because we plan to retain our capital to support our future growth.

UNIVERSITY BANCORP, INC.
Corporate Information

Corporate Office
University Bancorp, Inc.
959 Maiden Lane
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Telephone (734) 741-5858 xt226

University Bank Offices:
Ann Arbor Main Office
959 Maiden Lane
Ann Arbor, MI 48105
Telephone (734) 741-5858

Midwest Loan Services
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Houghton, MI 49931
Telephone (906) 487-5870

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Detroit, Michigan 48034

General Counsel
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Harmony Center 277 Gratiot Ave., Suite 700
Detroit, Michigan 48226

Transfer Agent
American Securities Transfer, Inc.
938 Quail, Suite 101
Lakewood, Colorado 80215

959 Maiden Lane
Ann Arbor, Michigan 48105
email address: ranzini@university-bank.com
phone number: (734) 741-5858 xt226
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toll free number (888) DO-TRY-US

THIS STATEMENT HAS NOT BEEN REVIEWED OR CONFIRMED FOR ACCURACY OR RELEVANCE BY
THE FEDERAL DEPOSIT INSURANCE CORPORATION

Any prediction of the future contained in this annual report is inherently not assured. Investors should read the risk factors listed in the Company's 2001 SEC 10-K, beginning on page 22 and any prediction in this annual report is intended to be covered by the Safe Harbor provisions of Section 21E of the Securities Exchange Act of 1934.

Annual Report on Form 10-K

A copy of the Company's Annual Report on Form 10-K (including financial statements and financial statement schedules) for the year ended December 31, 2001 filed with the Securities and Exchange Commission is enclosed. Additional copies may be obtained by shareholders of the Company free of charge upon request to Mr. Stephen Lange Ranzini, President, University Bancorp, Inc., 959 Maiden Lane, Ann Arbor, Michigan 48105. Copies of reports will be furnished to non-shareholders of the Company upon payment of a fee equal to the Company's reasonable expenses in furnishing such copies.