

# **University Bancorp, Inc.**

## ANNUAL REPORT

2004

- Portfolio Loans up 23.1%; Deposits up 14.9%
- Midwest Loan's subservicing portfolio up 21% to 18,233
  - Islamic Banking Division Formed

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 \$50 million asset, FDIC-insured, locally owned and managed Community Bank.

The Bank provides Sharia'a compliant financial products through its **Islamic Banking Division** for Muslims.

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, which primarily serves the credit union industry.

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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

University Bancorp, Inc. (NASDAQ: UNIB) reported an audited net loss of \$584,820 in 2004, versus net income of \$94,442 in 2003. Basic and diluted (loss) earnings per share for 2004 and 2003 were \$(0.14) and \$0.02, respectively. 2004 results contained the following \$609,000 of operating charges which negatively impacted net income:

- In 2004, Community Banking incurred approximately \$305,000 in expense related to the resolution of other real estate owned. During the year, non-performing assets decreased from \$1,546,627 to \$1,182,063, and subsequent to year-end dropped further to under \$750,000.
- Community Banking recorded a \$156,000 impairment charge against its investment in Michigan Capital Fund, L.P. I. in the final quarter of 2004. The charge will eliminate related expense going forward and will therefore increase income by \$100,000 in 2005 and \$56,000 in 2006. Community Banking is a tax benefit partner in this low income housing partnership, which provides it with tax credits that can be used to offset federal income taxes. The Company's overall tax status does not allow for the tax credits to be carried as an asset. Accordingly, an impairment charge was deemed appropriate.
- Operations at Midwest Loan Services were negatively impacted by a \$68,000 impairment write down of its mortgage servicing rights held for investment. The valuation of mortgage servicing rights is greatly impacted by changes in long term mortgage interest rates and if long term interest rates increase in future periods a portion of the year-end \$516,000 allowance for impairment may be recovered.
- The net loss in 2004 includes an \$80,000 tax expense. This resulted from a reduction in a deferred tax asset due to the loss in 2004 from operations. Net income in 2003 included an income tax benefit of \$80,000. At year-end 2004, we had net operating loss carry-forwards that could be utilized to offset approximately \$1,921,000 of future taxes, and which were 100% reserved and carried at \$0. If we are profitable in future periods, these assets will begin to be realized as earnings.

Community Banking incurred a pretax loss of \$388,000 during the current year as opposed to a loss of \$301,000 in 2003. The expenses for other real estate owned and the impairment of the tax credit partnership more than offset general operational improvement in Community Banking in 2004 as compared to 2003, including a 23.1% increase in loans and a 14.9% increase in deposits. Community Banking has also incurred approximately \$10,000 a month in expenses to grow the Islamic banking program. However by year-end, the program was generating over \$35,000 of recurring revenue per month and the Islamic Banking Division currently has over \$10 million in Islamic residential mortgage alternative loan transactions and \$3.75 million of Islamic deposits.

The following table summarizes the pre-tax (loss)/income of each profit center of the Company for the years ended December 31, 2004, 2003, and 2002 (in thousands):

	2004	2003	2002
Community Banking	\$(388)	\$(301)	\$ 20
Midwest Loan Services	(27)	426	281
Corporate Office	(90)	(111)	(95)
Total	<u>\$(505)</u>	<u>\$ 14</u>	<u>\$ 206</u>

## Community Banking

**University Bank.** University Bank operates as a full service community bank and is insured by the Federal Deposit Insurance Corporation. Total assets increased to \$50.79 million at December 31, 2004 from \$43.6 million at December 31, 2003. Community Banking's loan portfolio at December 31, 2004 was \$43.00 million, a new all-time high, and an increase of \$8.07 million or 23.1% from the balance at December 31, 2003.

**Asset Quality.** Total non-performing assets at December 31, 2004 were \$1,182,063 and at September 30, 2004, June 30, 2004, December 31, 2003 and June 30, 2003 were \$1,293,658, \$1,197,974, \$1,546,627 and \$2,093,273, respectively. Subsequent to year-end sales of repossessed real estate and payoffs of non-performing loans reduced the amount of non-performing assets to under \$750,000. Asset quality improvement will remain a top priority throughout 2005. Nearly all of the non-performing assets were secured by residential homes. Why does it take us so long to work through non-performing home loans? In Michigan there is a one-year redemption period following foreclosure of residential homes that are a borrower's primary residence and it is six months for investor properties. As of this writing the bank had just seven loans more than 10 days delinquent (a \$44,000 commercial loan, a \$66,000 investment real estate loan, a \$12,000 home equity loan and four residential loans totaling \$342,811) plus the four foreclosed residential properties of which the largest two are under contract for sale by the end of May. Asset quality has never been better in the history of the bank and we hope it will improve further in the balance of 2005. During 2004, the ratio of net charge offs during 2004 to average loans outstanding during 2004 dropped to just 0.03%, versus 0.41% in 2003 and 0.77% in 2002.

**Net Interest Income.** A key component of our strategy is to improve net interest income using deposit sales personnel who are compensated 100% by commission. Our strategy has been working and as a result lower cost retail deposits grew by 14.9% during 2004. In 2005 we improved this commission program to incentivize the sales personnel to build a book of business for which they are paid quarterly on the size of the overall book, rather than just being paid for bringing in new accounts. This should create more of an emphasis on retaining and cross-selling existing customers in addition to bringing in new business. This is an innovation that we hope will produce strong results in the future. We are only aware of one other bank in the country pursuing this unique concept. Because of the growth in the loan and deposit portfolio, net interest income grew by \$70,000 from \$1,890,000 to \$1,960,000 but this modest change reflected increasingly better results as the year progressed. Net interest income rose from \$448,000 in the first quarter of 2004 to \$531,000 in the final quarter.

An **Islamic Banking Division** was formed during 2004. Growth in Islamic Mortgage Alternative Loan Transactions (MALTs) has been excellent, and our portfolio is currently over \$10,000,000, accomplishing 85% of the initial goal we set of \$12,000,000. Islamic deposits have risen to \$3,750,000. We now offer Islamic money market deposits, and 1, 2 and 5-year term

Islamic certificates of deposit (CDs). How is an Islamic deposit different from a regular deposit? We pay profit sharing from the bank's investment in Islamic MALTs. We also began selling the only U.S. Islamic Mutual Fund to our customers, earning commissions. In addition, we are cautiously optimistic that FNMA will begin to purchase fixed rate Islamic MALTs from University Bank soon. There is great potential from such a development. Overall, our market research indicates that there are 100,000 Muslim families in Southeast Michigan. With the average loan size to date over \$200,000, there is potentially \$20 billion in Islamic MALTs that this community needs. We intend to aggressively go after this market and are one of only three banks in the nation with an Islamic MALT product and the only bank in the nation with an Islamic deposit product. With FNMA buying our Islamic MALTs and Midwest Loan Services as our Sharia'a (Islamic Law) compliant servicer, we could take the program nationwide rapidly with support from FNMA. Nationwide it is estimated that there are over 6 million Muslims.

**Non-Interest Income.** Total non-interest income decreased to \$3,822,548 for the year ended December 31, 2004 from \$5,932,492 for period ended in 2003. The decrease was principally a result of decreases in loan origination and gains on the sale of mortgage loans at Midwest. In 2003, the rates on mortgages were historically low which spurred an increase in the re-financing market. In 2004, the rates were still relatively low, but the re-financing activity decreased significantly. In April this year we announced an agreement to relocate the Bank's headquarters which should generate net income for the Bank of \$750,000 later this year, if we are successful in relocating before the August 1<sup>st</sup> deadline.

**Non-Interest Expense.** Non-interest expense decreased to \$6,375,181 in the period ended December 31, 2004 from \$7,619,112 for the same period in 2003. The decrease was due principally to decreases in salaries and benefits, mortgage banking expense, and amortization of servicing rights. The higher mortgage interest rates in 2004 resulted in lower income from mortgage origination as well as lower expenses. These decreases in costs were partially offset by an increase in other real estate owned expense and an impairment charge as noted previously.

**Capital.** At December 31, 2004, the Bank was "adequately capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 6.45%. The rapid growth and the write-offs we took in December caused the Bank's capital ratio to dip temporarily under the 7% ratio that we are targeting. However, earnings in the first quarter together with an infusion of \$200,000 of capital from the bank holding company into the Bank in April has raised the ratio close to 7%. The earnings we anticipate in 2005 should be more than sufficient to support our projected growth and to raise the capital ratio above 7%.

**Marketing.** We had a series of successful articles in local papers and major trade journals such as articles in the American Bankers Association Banking Journal, American Banker daily newspaper and the Detroit News. These articles and many others are available on our Investor Relations web page at [www.university-bank.com/bancorp.htm](http://www.university-bank.com/bancorp.htm), along with all of our press releases, recent articles, comprehensive statistical information about the company, a Frequently Asked Questions (FAQ) list and links to useful information sources such as a current stock quote and all of our Securities and Exchange Commission filings. I urge you to take a look!

Our Community Unity program, a cause related network-marketing program, continues to achieve success with local non-profits. We are providing commissions to area non-profits for bringing us their supporters' banking accounts. Our two full-time commissioned deposit sales people continued to achieve notable successes bringing in new small business and non-profit customers in 2004. In 2005 we are expanding the Community Unity program with an Islamic deposit version also. University Bank is proud to be the only bank headquartered in Washtenaw

## 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 checking programs for small businesses and non-profits from University Bank

Free checking: no minimum balances and no fees from University Bank

NOW Checking: Interest-bearing checking from University Bank

Money Market Deposit Account: interest rates that exceed Wall Street money market funds with up to three checks per month

Islamic Alternatives from University Bank's Islamic Finance Division

### Home mortgages

Islamic Alternatives from University Bank's Islamic Finance Division

FNMA/FHLMC: standard home mortgages up to \$337,700 from University Bank and Midwest Loan Services

Jumbo: home mortgages of more than \$337,700 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 Insurance: from University Insurance Center

Business Insurance: from University Insurance Center

Auto/Vehicle Insurance: from University Insurance Center

Home Owners Insurance: from University Insurance Center

Renters Insurance: 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, Roth, SEP, Education): University Insurance & Investments

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

We encourage shareholders to learn more about our deposit, loan, investment and insurance products.

NONDEPOSIT INVESTMENT AND INSURANCE PRODUCTS SOLD BY UNIVERSITY INSURANCE & INVESTMENT SERVICES AND UNIVERSITY INSURANCE CENTER ARE NOT FDIC INSURED NOT GUARANTEED BY ANY BANK OR GOVERNMENT AGENCY AND MAY LOSE VALUE.



County to be rated “Outstanding” by the Federal Deposit Insurance Corporation for Community Service and Community Reinvestment.

At Community Banking, we created a new vision statement: “We build the foundation for your future.” The underlying theme of the marketing campaign remains the same: at University Bank we offer a qualitatively different experience -

- \* **L**ocal Decision-Making
- \* **O**ur Customers Receive Personal Service and Attention
- \* **C**ompetitive Pricing
- \* **A**ll Financial Services Products Available
- \* **L**ow Fees

**The Future.** The 2004 results are not necessarily indicative of future results. We had unaudited net income of \$142,998, over \$0.035 per share, in the first quarter of 2005, and project excellent results the rest of the year, including a projected gain of \$750,000 anticipated from the relocation of its headquarters building this summer.

### **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 (Houghton, Michigan in the western Upper Peninsula of Michigan), has a technology-savvy management team and has a loyal customer base serving the rapidly growing credit union industry. Midwest is a business process outsourcer of mortgage services to 1.75% of the credit unions in the U.S. The credit union industry is gaining market share from all other financial institutions. As a result of Midwest's focus on the credit union industry and the fact that we get 43.7% of our total revenue from Midwest, University Bancorp offers investors one of the few ways to invest in this ongoing growth of the credit union sector.

Midwest had a pretax loss of \$27,000 in 2004 as compared to pretax income of \$426,000 in 2003. In 2003, Midwest benefited from a significant volume of income derived from the high level of mortgage refinancing due to lower rates. In 2004, this income was substantially less. Income at Midwest was negatively impacted in the first half of 2004 by investments of about \$30,000 a month in overhead intended to grow Midwest's jumbo and non-standard originations through a secondary market conduit established with Lehman Brothers. Midwest also suffered a \$68,000 write down of its mortgage servicing rights during 2004. The decrease in mortgage originations offset improvements in other areas including a 21% increase in mortgage loans subserviced, to 18,233 loans and to \$2.3 billion of mortgages subserviced at December 31, 2004.

Midwest Loan Services is attracting some of the nation's premier credit unions to its “Members for Life” program including Advancial (formerly AT&T) Credit Union, Baxter Credit Union and Toyota Credit Union. Midwest's credit union partners have over 1.75 million active members and the average American moves every seven years, so the current level of mortgage activity is quite modest. Midwest's mortgage lending is available nationwide. If you need mortgage services and are resident in Michigan, call University Bank, but if you are resident outside of Michigan, we encourage you to contact Midwest at [www.subservice.com](http://www.subservice.com). You can apply online and complete a mortgage application and receive an approval on average in 15

minutes using Midwest's online mortgage application (University Bank will also shortly have an online mortgage application).

We expect credit union mortgage relationships to grow at a faster pace in 2005. This month, Midwest has already passed the 20,000 customer and \$2.5 billion in mortgages mark. The credit union partners' portfolios continue to grow as awareness of their mortgage capabilities grows in their membership base and as credit unions form Credit Union Service Organizations to originate and service mortgage loans for other credit unions. Recently, Midwest was endorsed by the National Council of Postal Credit Unions as the preferred supplier of mortgage related services (the council has about 200 credit union members) and we hired Rick Marshall, a nationally known credit union marketing expert as our Director - National Business Development. We are adding on average two credit unions each month and so expect to continue increasing our market share of the credit union industry. However, the potential for growth from just our current base of credit union customers is immense. We believe that the current mix of products including the new Lehman Brothers conduit discussed above will continue to increase the mortgage originations from our credit union customers nationwide. Even though we are rapidly growing, Midwest Loan Services has not had to advertise or market its services since the credit unions that we serve are spreading the word through word of mouth. It's a sign that things are going very well when your customers are your strongest advocates. This is a testimony to the excellent job that the staff at Midwest is doing every day to keep closely attuned to their customers' needs.

## **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. If a customer has five or more products from a financial services company, they almost never leave.

The Bank's wholly-owned insurance and investment subsidiary, University Insurance & Investment Services, enjoyed a record year, producing \$219,631 in fee income compared to \$168,577, a 30% increase, although net income dropped slightly to \$39,297 from \$55,526 in 2003 as we added sales personnel to support the growth. As it grows the agency in future years should be able to contribute meaningfully to the profit of University Bank.

In early 2000, we began offering stock and bond money management for a fee. I myself am the manager, so feel free to contact me if you are in need of professional money management or want to access any of our agency's wide selection of mutual funds or annuities. Funds in my clients' accounts were about \$5 million during the year, and we had another good result.

*Investment Portfolio.* The Bank's securities portfolio had a good result despite our conservative view with respect to long-term interest rates. Our investment portfolio held Federal Home Loan Bank of Indianapolis stock, variable rate securities and some short term mortgage Principal Only strips (POs). The bonds decreased in market value during the year by \$12,561 as long term interest rates rose slightly and short term interest rates rose a lot. Overall, the total return on the Bank's securities portfolio was 6.74% and the current yield was 7.65%. We continue to hold some FNMA PO securities to moderate the risk in the servicing rights held by Midwest, however



the balance outstanding continues to shrink and is down about 75% since we bought them a few years back.

## **Corporate Office**

*Holding Company Investments.* During 2004, our investment in Michigan BIDCO was exchanged for 152,165 shares of common stock of Jove Corporation, worth approximately \$54,000, representing 2.25% of the outstanding shares, and these shares were subsequently sold to raise working capital. The holding company also had a small investment portfolio during 2004, which lost \$446 when the investments were sold to raise working capital.

*Holding Company Operations.* The corporate office had net pre-tax expense of \$90,125 in 2004 versus net expense of \$110,717 in 2003. Non-interest expenses in 2004 were \$85,398, up from \$72,338 in 2003. Almost all of these costs are related to the cost of being a public company, which increased during the year, offsetting expense cuts in other areas. Subsequent to year-end 2004, we made the final \$34,000 payment on our \$1 million holding company loan. We also raised some working capital through the sale of 9% Seven Year Pay in Kind Preferred Stock which fully funded our expenses at the holding company level for the next 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 2004, the Company has a deferred tax asset of \$1,921,000 available to offset taxes in future years, however a valuation allowance for deferred tax assets of \$1,921,000 has been established. If the Company has profits in 2005 and 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 loss in 2004 is not a trend. The investments we have been making since the beginning of the fourth quarter of 2003 cost us \$40,000 a month, or \$120,000 a quarter for the first two quarters of 2004. Our decision to invest in the future negatively impacted the 2003 and 2004 results but should pay dividends as 2005 progresses.

*A Reminder to Our Shareholders.* 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. Have you refinanced yet? Need a new deposit account? Do you want free billpay? Do you want free telephone banking or internet banking? Does your business need a free courier to pick up its deposits? Do you want a credit card where the interest is tax deductible, the rate is based on prime rate and the miles you earn are redeemable on the airline of your choice when you redeem the points all for no annual fee? Why not give us a try? 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 customers for their continued loyalty, trust and support. We look forward to seeing you at our annual meeting at the Bank's main office in Ann Arbor, June 22, 2005.

Sincerely,



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

Ann Arbor, Michigan  
May 9, 2005  
Email: ranzini@university-bank.com

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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 banking, mortgage servicing, Islamic banking 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, 2004, 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.

**Directors and Officers**  
**University Bancorp, Inc.**

Board of Directors

Gary Baker, Director; Director, EDS, GM Global Supply Chain & eGM  
Robert Goldthorpe, Chairman; President of Goldthorpe Enterprises, a diversified holding company  
Charles McDowell, Director; Executive Vice President and Director, Northern Michigan  
Foundation and former Chairman & CEO of Northwestern State Bank in Elk Rapids,  
Michigan  
Dr. Joseph Lange Ranzini, Director; General Surgeon in Private Practice  
Paul Lange Ranzini, Director; Ph.D. Candidate in Musicology at the University of Chicago,  
President of American Institute of Musicology, a professional musicology publishing house  
and Managing Editor, A-R Editions, a professional musicology publishing house  
Stephen Lange Ranzini, Director, President & Chief Executive Officer; President and Chairman,  
University Bank, Michigan Business and Industrial Development Company and Northern  
Michigan Foundation and Chairman of Midwest Loan Services, University Insurance &  
Investment Services and Jove Corporation  
Michael Talley, Director; Vice President, Ladenburg Thalmann & Company, a brokerage firm,  
Chairman of the Financial Services Technology Consortium's Community Bank Committee

Officers

Nicholas Fortson, Chief Financial Officer  
Robert Goldthorpe, Chairman  
Stephen Lange Ranzini, President, Chief Executive Officer & Secretary  
Michael Talley, Lead Independent Director & Chairman of the Audit & Compensation Committees

**Directors and Officers  
University Bank**



Board of Directors

Nicholas Fortson, Director, Chief Executive Officer & Treasurer; Chief Financial Officer of University Bancorp  
Charles McDowell, Chairman of the Audit Committee and Lead Independent Director; Executive Vice President and Director, Northern Michigan Foundation and former Chairman & CEO Northwestern State Bank in Elk Rapids, Michigan  
Rev. Willie Powell, Director; Executive Director, City of Ann Arbor Employees Retirement System  
Stephen Lange Ranzini, Chairman and President, University Bank; President & Chief Executive Officer, University Bancorp, President and Chairman, Michigan Business Development Company and Northern Michigan Foundation; Chairman, Midwest Loan Services, University Insurance & Investment Services and Jove Corporation  
Susan Serafini, Director; Chief Operating Officer, Midwest Loan Services

Officers

Janet Anderson, Vice President, Human Resources Manager, Internal Auditor, Compliance Officer & Secretary  
Edward Burger, President, Midwest Loan Services  
Nicholas Fortson, Chief Executive Officer & Treasurer  
Darnell Grant, Security Officer  
Lisa Hudy, AVP Business Development Officer  
Edie Kingsley, President & Chief Executive Officer, University Insurance Center  
Julie Kubitz, AVP Islamic Banking & Mortgage Education Officer  
Peggy Lamb, Vice President - Collections  
Stephen Lange Ranzini, Chairman & President  
Pete Richards, AVP Business Development Officer  
Susan Serafini, Chief Operating Officer, Midwest Loan Services  
Stacy Shepanski, Vice President - Consumer Lending & Deposits, Bank Secrecy Act & Office of Foreign Asset Control Officer  
John Sickler, Vice President - Residential Lending  
Brian Schwab, Vice President - Accounting Manager & Cashier  
Todd VanAppledorn, Vice President - Commercial Lending

## Common Stock and Dividend Information

The Company's Common Stock trades on The NASDAQ Small-Cap Market under the symbol UNIB. As of April 30, 2004 there were 681 stockholders including approximately 552 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, 2004 are listed below. The quotations represent inter-dealer prices only, without retail markups, markdowns or commissions, and may not necessarily represent actual retail transactions:

<u>2005</u>		
First Quarter	\$2.24	\$1.58
Second Quarter through May 9 <sup>th</sup>	2.85	1.70
<u>2004</u>		
First Quarter	\$2.80	\$2.05
Second Quarter	2.47	1.30
Third Quarter	1.72	1.05
Fourth Quarter	3.48	0.60
<u>2003</u>		
First Quarter	\$3.00	\$0.62
Second Quarter	2.25	0.91
Third Quarter	5.73	1.06
Fourth Quarter	3.38	2.22

No cash dividends have been paid on our common stock. We do not currently anticipate declaring or paying dividends in 2005. We plan to reevaluate our dividend policy prior to year-end 2005.

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UNIVERSITY BANCORP, INC.

**Corporate Information**

Corporate Office

University Bancorp, Inc.  
959 Maiden Lane  
Ann Arbor, Michigan 48105  
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*

616 Sheldon Ave., Ste. 300  
Houghton, MI 49931  
Telephone (906) 487-5870

Investor Contact

Stephen Lange Ranzini, President & CEO  
University Bancorp, Inc.  
959 Maiden Lane  
Ann Arbor, MI 48105  
Telephone (734) 741-5858 xt226  
Email address: ranzini@university-bank.com

Independent Certified Public Accountants

For 2004:  
Grant Thornton  
27777 Franklin Road, Suite 800  
Southfield, Michigan 48034

For 2005:  
UHY  
26200 American Dr  
Southfield, Michigan 48034

General Counsel

Varnum, Riddering, Schmidt & Howlett LLP  
Donald Johnson, Esq.  
333 Bridge St. N.W., Bridgewater Place  
Grand Rapids, Michigan 49504

Transfer Agent

Computershare  
350 Indiana Street, Suite 800  
Golden, Colorado 80401

**Free additional information:**

Please see our Investor Relations web page at [www.university-bank.com/bancorp.htm](http://www.university-bank.com/bancorp.htm), which has all of our press releases, recent articles, comprehensive statistical information about the company, a Frequently Asked Questions (FAQ) list and links to useful information sources such as a current stock quote and all of our Securities and Exchange Commission filings.

**Contact us at:**

**959 Maiden Lane**

**Ann Arbor, Michigan 48105**

**Email address: [ranzini@university-bank.com](mailto:ranzini@university-bank.com)**

**Phone number: (734) 741-5858 xt226**

**Fax number: (734) 741-5859**

**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 2004 SEC 10-K, beginning on page 21 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, 2004 filed with the Securities and Exchange Commission is enclosed. Shareholders of the Company may obtain additional copies free of charge upon request to Mr. Stephen Lange Ranzini, President, University Bancorp, Inc., 959 Maiden Lane, Ann Arbor, Michigan 48105. Non-shareholders of the Company will be furnished Copies of reports upon payment of a fee equal to the Company's reasonable expenses in furnishing such copies. A free copy of the report may be downloaded from our Investor Relations web page at [www.university-bank.com/bancorp.htm](http://www.university-bank.com/bancorp.htm)