

# **University Bancorp, Inc.**

## ANNUAL REPORT

2005

- Total Assets up 27.1%
- Midwest Loan's subservicing portfolio up 45% to 26,414
  - University Islamic Financial Formed
- Headquarters Relocated to Historic Hoover Mansion

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, of Ann Arbor, Michigan.

**University Bank** (the "Bank") is a \$65 million asset, FDIC-insured, locally owned and managed Community Bank.

The Bank owns 80% of **Midwest Loan Services**, of Houghton, Michigan, a residential mortgage subservicing firm, which primarily serves the credit union industry.

The Bank provides Sharia'a compliant financial products through **University Islamic Financial Corporation** an 80%-owned subsidiary.

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

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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 audited net income of \$1,989,169 in 2005, versus a net loss of \$584,820 in 2004. Basic earnings (loss) per share for 2005 and 2004 were \$0.48 and (0.14), respectively and diluted earnings (loss) per share for 2005 and 2004 were \$0.47 and (0.14), respectively. By any measure 2005 was an outstanding year, as University Bank had the second highest return on equity, at 66.3%, of any bank in the United States. The operating highlights include:

- Net interest income increased 18.3%
- Deposits increased 25.6%
- Total assets increased 27.1%
- Mortgages Subserviced increased 44.9% to
- Total managed assets increased 37.1% to \$3.235 billion
- Total revenue increased 41.1% to \$9.26 million

Considering the facts that 2005 was the fifth year in a row of economic recession in Michigan and no other bank in the state with less than \$1 billion in assets had a return on equity over 17.5%, puts this accomplishment into perspective.

The following table summarizes the pre-tax (loss)/income of each profit center of the Company for the years ended December 31, 2005, 2004, and 2003 (in thousands):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Community Banking	\$1,518	\$ (388)	\$ (301)
Midwest Loan Services	426	(27)	426
Corporate Office	<u>(55)</u>	<u>(90)</u>	<u>(111)</u>
Total	<u>\$1,889</u>	<u>\$ (505)</u>	<u>\$ 14</u>

### University Islamic Financial

For several years now we've been pioneering the development of Islamic Banking in the United States. Southeast Michigan has 400,000 Muslims, the largest community of Muslims outside the Middle East. During 2005 we increased our involvement in Islamic Banking by converting our Islamic Banking Division into a separately capitalized corporation. On December 29, 2005 we sold 20% of this new subsidiary, University Islamic Financial, to an investment group, Virtue Investors, LLC, for \$3,000,000. At the closing Virtue Investors, LLC paid \$1,500,000 in cash and \$1,500,000 through an irrevocable subscription agreement. On February 15, 2006, Virtue Investors, LLC made the final \$1,500,000 payment related to the purchase. The Islamic Banking Subsidiary ended the year with \$14.50 million in Islamic residential mortgage alternative loan transactions and \$5.58 million of Islamic deposits. University Islamic Financial is the first *halal* Islamic banking subsidiary in the United States, run 100% according to the principles of Islamic Law, or *Sharia'a*.

In February 2006, we announced that FHLMC had agreed to create a secondary market for UIFC's Islamic Murabaha mortgage alternative loan transactions in the amount of up to \$100,000,000 over the next 12 months. With FHLMC's backing and leveraging our 100% *halal* servicing platform and nationwide wholesale lending platform at Midwest Loan Services, we plan to expand our Islamic financing operation from Michigan to the rest of the nation. Over time we also plan to offer additional *halal* financial services products.

Our Islamic Banking subsidiary had a series of successful articles in local papers and major trade journals such as articles in the The New York Times, BusinessWeek, American Banker daily newspaper, CNN/Money.com, the Detroit Free Press 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 and our stock, 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!

## **Community Banking**

**University Bank.** University Bank operates in the Ann Arbor area as a full service community bank and is insured by the Federal Deposit Insurance Corporation. University Bank's total assets increased 27.1% to \$64.54 million at December 31, 2005 from \$50.79 million at December 31, 2004. Community Banking had pretax earnings of \$1,518,000 during the current year as opposed to a loss of \$388,000 in 2004. Income in 2005 was positively impacted by a \$359,442 or 18.3% increase in net interest income; a \$800,000 fee from the relocation of the bank's headquarters partially offset by \$300,000 in additional carrying costs for holding two headquarters buildings for six months during the transition; and a \$1,000,000 gain from the formation of University Islamic Financial Corporation (UIFC) partially offset by a \$80,000 charge related to the buy-out of the interest of our former partner in the new residential securitization business of UIFC.

The 2004 results were impacted by \$305,000 in expenses for resolution of other real estate owned and a \$156,000 impairment of the tax credit partnership that more than offset general operational improvement in Community Banking, including a 23.1% increase in loans and a 14.9% increase in deposits over 2003. Community Banking also incurred approximately \$10,000 a month in expenses in 2004 to grow the Islamic banking program.

Community Banking's loan portfolio at December 31, 2005 was \$45.65 million, a new all-time high, and an increase of \$2.65 million or 6.2% from the balance at December 31, 2004. Community Banking's deposits at December 31, 2005 were \$56.02 million, a new all-time high, and an increase of 25.6% from the balance at December 31, 2004. During the fourth quarter, the amount of mortgage escrow deposits at University Bank related to Midwest Loan Services more than doubled to \$13.5 million average monthly balance. We expect this balance of zero cost and highly profitable escrow deposits to double again in the second quarter of 2006 to over \$27 million.

Total non-performing assets at December 31, 2005 decreased by 47.0% to \$626,668, versus \$1,182,063 at December 31, 2004. During 2004, the ratio of net charge offs during 2004 to average loans outstanding during 2005 was 0.05%, versus 0.04% in 2004 and 0.41% in 2003. Included in non-performing assets, other real estate owned from foreclosures decreased 48.1% from \$534,043 to \$276,987. During the year, the delinquent loans in University Bank's loan portfolio

reached the lowest levels in the 18 years that I've been the CEO of your company. This result is truly outstanding considering the fact that during its economic recession the Michigan economy has suffered overall job declines in each of the past five years and is a testament to the skill of University Bank's loan committee and the diligence of its lenders and collection staff, headed by Kathy Tollefson at Midwest Loan Services and Peggy Lamb at University Bank.

Total non-interest income increased to \$5,891,330 for the year ended December 31, 2005 from \$3,822,548 for year ended in 2004. The increase was principally a result of the gains from the formation of UIFC discussed above, the gains from the relocation of the bank's headquarters and increases in Midwest's subservicing revenue, discussed below. Relocating a bank is major undertaking that I've supervised three times now in 18 years, however, we've never done it before in six weeks, or where the *entire* operation was relocated over the course of a weekend, or during the holiday season. Two individuals deserve to be singled out for making the move smooth: EVP Stewart Brannen, my executive assistant, who supervised and coordinated all the contractors involved in remodeling the new headquarters over those six weeks, and Nick Forston, University Bank's CEO who coordinated the relocation of the bank's operations and computer systems during that weekend. Our new headquarters is a signature location in Ann Arbor, and if you haven't seen it yet, go online to University Bank's homepage at [www.university-bank.com](http://www.university-bank.com) to see a picture.

Non-interest expense decreased to \$6,304,707 in the period ended December 31, 2005 from \$6,375,181 for the same period in 2004. The decrease was due principally to decreases in other real estate owned expense, mortgage banking expense, amortization of servicing rights and the tax credit partnership write-off mentioned above which were only partially offset by increases in salaries and benefits and temporarily increased occupancy expenses related to the bank carrying two headquarters for six months of 2005.

At December 31, 2005, the Bank was "well capitalized" according to the FDIC's classification with a Tier 1 leverage capital ratio of 14.00%. This means that we can take the assets of University Bank well past \$100 million with our current level of capital. This will fuel growth in assets and net interest income, as we find quality loans to profitably deploy the capital.

**Marketing.** University Bank is proud to be the only bank headquartered in Washtenaw County to be rated "Outstanding" by the Federal Deposit Insurance Corporation for Community Service and Community Reinvestment. 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. In 2005 we expanded the Community Unity program with an Islamic deposit version also.

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

## 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 for customers of University Islamic Financial

### Home mortgages

FNMA/FHLMC: standard home mortgages up to \$417,000 from University Bank and Midwest Loan Services

Jumbo: home mortgages of more than \$417,000 from University Bank

First-Time Homebuyer: low downpayment mortgages from University Bank

Home Construction: from University Bank

Islamic Alternatives for customers of University Islamic Financial

### 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: from University Insurance & Investments

Discount Brokerage: from University Insurance & Investments

Money Management: from University Insurance & Investments

IRAs (Standard, Roth, SEP, Education): from University Insurance & Investments

Beyond the core services, University Bank also offers the following services: Small Business Loans; Business 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.



## Midwest Loan Services

The Company owns 80% of Midwest Loan Services, Inc., which is a business process outsourcer of mortgage services to 2.50% of the 9,350 credit unions in the U.S., including Advancial (formerly AT&T) Credit Union, Baxter Credit Union, Motorola Credit Union and Toyota Credit Union. 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 got 36.7% of our total revenue from Midwest in 2005, University Bancorp offers investors one of the few ways to invest in this ongoing growth of the credit union sector. Midwest's business strengths are that it operates from a low cost location (Houghton, Michigan in the western Upper Peninsula of Michigan), has a customer-centric and technology-savvy management team and has a loyal customer base serving the rapidly growing credit union industry.

Midwest had pretax income of \$426,000 in 2005 as compared to a pretax loss of \$27,000 in 2004. In 2005, Midwest had a 44.9% increase in mortgage loans subserviced, to 26,414 loans at December 31, 2005. Over the past seven years the annual growth of the mortgages we subservice has averaged 41%.

Income at Midwest in 2004 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 and by a \$68,000 write down of its mortgage servicing rights.

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. We are adding on average three 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. Through its "Members for Life" program, Midwest is the only mortgage company in the United States that can originate and service every type of mortgage loan in the name of the credit union and with a guarantee that the relationship will never be sold for the life of the loan. 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).

Occasionally, our growth is accelerated by other factors. In July 2005 our largest competitor, Credit Union National Association Mortgage, exited the business and sold out to PHH, which is now just over four times our size in the credit union industry. Since then, our growth has accelerated, as we are no longer having to compete with the mortgage arm of the credit union industry's trade association. Midwest added 3,700 additional mortgages effective April 15<sup>th</sup> for a group of 50 credit unions previously serviced by competitor, CMCU, which exited the business and finished April 2006 with over 30,600 mortgages subserviced with \$3.7 billion in balances.

## **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, stocks, bonds 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 rarely leave.

The Bank's wholly-owned insurance and investment subsidiary, University Insurance & Investment Services, had a down year, producing \$200,525 in fee income compared to \$219,631, a 8.7% decrease, and net income dropped to \$19,472 from \$39,297 in 2004. As the agency resumes growth in future years it should be able to contribute meaningfully to the profit of University Bank.

*Investment Portfolio.* The Bank's securities portfolio had a decent result, benefiting from 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 increased in market value during the year by \$16,636 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 3.81% and the current yield was 2.91%. 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 80% since we bought them a few years back.

## **Corporate Office**

*Holding Company Operations.* After a special gain of \$41,975, the corporate office had net pre-tax expense of \$54,689 in 2005 versus net expense of \$90,125 in 2004. Non-interest expenses in 2005 were \$96,712, up from \$85,398 in 2004. 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. At the beginning of 2005, 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 in both 2005 and early 2006 which fully funded our expenses at the holding company level through to the end of 2006. We anticipate that University Bank will resume paying dividends to the Holding Company in late 2005 or early 2006, so we won't need to keep issuing Preferred Stock to fund our operations as we did in 2005 and 2006. The cash now on hand is sufficient to take us to that point.

*Holding Company Investments.* The holding company had no investments in 2005 except for a few hundred dollars worth of a bank stock that we've had for a number of years.

*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 2005, the Company has a deferred tax asset of \$1,214,299 available to offset taxes in future years, however a valuation allowance for deferred tax assets of

\$1,114,299 has been established. As the Company books profits in 2006 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 large profits in 2005 were not a fluke. The net income reported in 2005 exceeds the upper end of the projection provided in April 2005 of between \$1,500,000 and \$1,950,000 (\$0.35 to \$0.46 per share). Management projects that income in 2006 will range between \$750,000 and \$1,000,000 and that net income in 2007 will exceed \$2,000,000. The investments we have been making over the years are just beginning to bear fruit. Our decision to invest in the future negatively impacted the 2003 and 2004 results but drove the 2005 results to record results and should again pay more dividends as 2006 and 2007 progress.

*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. Do you need to refinance? Need a new deposit account? Do you want free billpay? Do you want free internet banking or free telephone 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 19, 2006.

Sincerely,



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

Ann Arbor, Michigan

May 1, 2006

Email: [ranzini@university-bank.com](mailto: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, 2005, 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; Former Director, EDS, GM Global Supply Chain & eGM

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

Charles McDowell, Director; 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, University Islamic Financial, Michigan Business Development Company, Northern Michigan Foundation and CityFed Financial Corp. and Chairman of Midwest Loan Services, University Insurance & Investment Services and Jove Corporation

Michael Talley, Director; Vice President, Ladenburg Thalmann & Company, a brokerage firm, Member, Financial Services Technology Consortium's Security & Enterprise Architecture Committees

#### 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; 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, Director, President & Chief Executive Officer; President and Chairman, University Bank, University Islamic Financial, Michigan Business Development Company, Northern Michigan Foundation and CityFed Financial Corp. and Chairman of Midwest Loan Services, University Insurance & Investment Services and Jove Corporation

Michael J. Concannon, Esq., Director; President, The Concannon Company Inc., a real estate development firm

Officers

Janet Anderson, Executive Vice President, Human Resources Manager, Internal Auditor & Compliance Officer

Stewart Brannen, Corporate Secretary & Executive Vice President, Asset Management

Nicholas Fortson, Chief Executive Officer & Treasurer

Darnell Grant, Security Officer & IT Manager

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

Julie Kubitz, Executive Vice President, Mortgage Education Officer

Peggy Lamb, Senior Vice President - Collections

Stephen Lange Ranzini, Chairman & President

Pete Richards, Assistant Vice President, Business Development Officer

Stacy Shepanski, Executive Vice President - Consumer Lending & Deposits, Bank Secrecy Act & Office of Foreign Asset Control Officer

John Sickler, Executive Vice President - Residential Lending

Brian Schwab, Executive Vice President - Accounting Manager & Cashier

Steven Thoms, Executive Vice President - Commercial Lending

**Directors and Officers  
University Islamic Financial**



Board of Directors

Nicholas Fortson, Director, Chief Executive Officer & Treasurer  
Stephen Lange Ranzini, Chairman & President  
John Sickler, Director, Executive Vice President – Islamic Banking

Officers

Nicholas Fortson, Chief Executive Officer & Treasurer  
Julie Kubitz, Executive Vice President, Islamic Banking & Mortgage Education Officer  
Stephen Lange Ranzini, Chairman & President  
John Sickler, Executive Vice President - Residential Lending

**Directors and Officers  
Midwest Loan Services**



**Midwest**  
LOAN SERVICES INC.



Board of Directors

Edward Burger, CEO & President, Midwest Loan Services  
Nicholas Fortson, Director; Chief Executive Officer & Treasurer of University Bank  
Stephen Lange Ranzini, Chairman; Chairman & President of University Bank  
John Sickler, Director; Executive Vice President – Residential Lending of University Bank & Executive Vice President, Islamic Banking of University Islamic Financial Corporation

Officers

Glenda Britz, Senior Associate Originations  
Edward Burger, CEO & President  
Janet Burger, Senior Associate Administration & Loan Set-Up  
Deric Garnell, Senior Associate Customer Service & Loss Mitigation  
Lynn Justinak, Senior Associate Processing  
Rick Marshall, Director - National Business Development  
Peggy Panke, Senior Associate Escrows  
Jon Rastello, Servicing Manager  
Craig Tarvainen, Senior Associate Information Systems  
Kathy Tollefson, Senior Associate Default Management  
Laura Zerbst, Treasurer

## 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, 2006 there were 683 stockholders including approximately 550 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, 2005 and 2006 to date are listed below. The quotations represent inter-dealer prices only, without retail markups, markdowns or commissions, and may not necessarily represent actual retail transactions:

	High	Low
<u>2006</u>		
First Quarter	\$3.63	\$1.59
Second Quarter through May 2 <sup>nd</sup>	3.39	2.56
<u>2005</u>		
First Quarter	2.25	1.66
Second Quarter	2.35	1.75
Third Quarter	2.00	1.52
Fourth Quarter	2.00	1.53
<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

No cash dividends have been paid on our common stock. We do not currently anticipate declaring or paying dividends in 2006. We plan to reevaluate our dividend policy prior to year-end 2006.

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UNIVERSITY BANCORP, INC.

**Corporate Information**

Corporate Office

University Bancorp, Inc.  
2015 Washtenaw Avenue  
Ann Arbor, Michigan 48104  
Telephone (734) 741-5858 xt226

University Bank Offices:

*Ann Arbor Main Office*  
2015 Washtenaw Avenue  
Ann Arbor, Michigan 48104  
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.  
2015 Washtenaw Avenue  
Ann Arbor, Michigan 48104  
Telephone (734) 741-5858 xt226  
Email address: ranzini@university-bank.com

Independent Certified Public Accountants

For 2003:

Grant Thornton  
27777 Franklin Road, Suite 800  
Southfield, Michigan 48034

For 2004 and 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:**

**2015 Washtenaw Avenue**

**Ann Arbor, Michigan 48104**

**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 2005 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, 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., 2015 Washtenaw Avenue, Ann Arbor, Michigan 48104. 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)