

University Bancorp, Inc.

ANNUAL REPORT

2007

- 13.2% Common stockholders' return on equity
- Net interest & financing income up by 24.3% to \$3.43 mm
- Custodial escrow deposits up by 29.51% to \$34.6 mm

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 an \$88 million asset, FDIC-insured, locally owned and managed Community Bank.

The Bank owns 80% of **Midwest Loan Services** ("Midwest"), of Houghton, Michigan, a residential mortgage subservicing firm, which manages \$5.25 billion of mortgages for 270 credit unions nationwide.

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

The Bank owns 50.01% of **University Lending Group** ("Lending"), of Farmington Hills, Michigan, a wholesale residential mortgage firm, which specializes in HUD, VA, FNMA and FHLMC financing.

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

Contents

Business of the Company	Inside Front Cover
President's Message	1-8
Products	9
Directors and Officers	10-13
Common Stock and Dividend Information	14
Corporate Information	15

Contents of the SEC Form 10-K

Cover Page	1
Part I:	
Item 1. - Business & Item 2. - Properties	3-17
Item 3. - Legal Proceedings & Item 4. - Submission of Matters to a Vote of Security Holders	18
Part II:	
Item 5. - Market for Registrant's Common Equity and Related Stockholder Matters	19
Item 6. - Selected Financial Data	20
Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations	21-37
Item 8. - Financial Statements and Supplementary Data	38-71
Part III:	
Items 9-13	72
Part IV:	
Item 14. - Exhibits & Financial Statement Schedules	74-75
Signatures	76

UNIVERSITY BANCORP INC.'s MISSION STATEMENT

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

* * *

PRESIDENT'S MESSAGE

Ann Arbor, Michigan
June 2, 2008

University Bancorp, Inc. (NASDAQ: UNIB) University Bancorp, Inc. (NASDAQ: UNIB) reported audited net income of \$645,000 versus a net loss of \$402,000 in 2006. Basic and diluted earnings (loss) per share for 2007 and 2006 were \$0.14 and \$(0.10), respectively. Significant progress during the year was made with the following key metrics:

- Common stockholders' return on equity rose to 13.2% for the year
- Portfolio loans and financings increased by 15.4% to \$58.75 million
- Net interest & financing income increased by 24.3% to \$3.43 million
- Custodial escrow deposits increased by 29.51% to \$34.6 million

Michigan has entered its eighth year of economic depression. Despite this, we earned an excellent 13.2% return on equity for the year. Since we did not engage in any of the now criticized practices that have caused other financial institutions large financial losses, we will benefit going forward. In fact, we project net income in 2008 to increase again by over \$1,355,000 to between \$2,000,000 and \$2,500,000, or \$0.47 to \$0.59 per share. *Investors' attention is drawn to the cautionary remark in the final paragraph on the back cover of this annual report.*

Part of these gains in net income will occur because of the ongoing growth of our key business units, and some will occur because we have been able to take advantage of recent turmoil in the financial markets. We have increased our income by sharply increasing the size of our AAA rated bond portfolio at excellent spreads. University Bank in late March and early April 2008 purchased a total of \$25.4 million in AAA rated U.S. Government Agency guaranteed bonds in the form of collateralized mortgage obligations with an expected yield based on current consensus mortgage repayment rates of 6.02% and an average expected life of 0.92 years. The bonds were purchased with a mix of Fed Funds on hand and some borrowings from the Federal Home Loan Bank of Indianapolis at a blended cost of the funds of 2.05%. Assuming no substantial changes in the interest rate curve and that mortgage prepayment speeds for the mortgages underlying the securities pay at consensus at the time of purchase, the bonds would generate additional annualized earnings at the rate of \$1,005,000 per year declining over time as the securities prepay or an estimated \$768,000 in additional net income over the next 12 months. The bank's balance sheet was expanded by about 11% as a result. These transactions together with an \$8 million portfolio of FHMLC and FNMA issued adjustable rate mortgage securities the bank purchased in September 2007, grew the bank's securities portfolio to about 31% of its assets, which is more in line with peer group levels.

Our budget for 2008 includes the following:

- Ongoing expansion of Midwest Loan Services' subservicing accounts. Midwest brought us 55% of our overall revenue in 2007 and 44% of our deposits and is anticipated to resume its historical 33% per year growth rate in 2008;
- Rapid growth at University Islamic Financial. University Islamic Financial provided 20% of our overall revenue in 2007 including 1/3rd of our portfolio financings and 28% of our overall deposits. Financings originated by University Islamic Financial and sold to FHLMC as agent in the month of May 2008 were almost as large as the entire amount originated and sold to FHLMC during 2007. We are now offering our residential financing products with personnel

on the ground in just three major markets and there are five major markets nationwide we haven't yet entered. We intend to enter these markets in 2008 and 2009.

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

	2007	2006
Community Banking & Islamic Banking	\$(1,650)	\$ (951)
Midwest Loan Services	2,584	1,015
Corporate Office	(87)	(351)
Eliminations	(268)	(135)
Total	<u>\$ 579</u>	<u>\$ (422)</u>

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

The 2006 results were negatively impacted by two items that did not recur in 2007:

- We suffered a delay in transferring \$18 million of zero cost escrow deposits controlled by Midwest Loan Services to University Bank. These escrows did not come to University Bank until the final quarter of 2006;
- We incurred costs to expand our Islamic Banking operation including the cost to restructure an agreement with a consulting firm that has assisted us in the creation of our Islamic Banking operations and products. In April 2006, the Company agreed to modify the original agreement, under which University Islamic Financial was to pay a share of revenue earned from all future mortgage alternative products sold in the secondary market. This renegotiated agreement reduced our net income by a total of \$260,844 in 2006 and \$100,000 in 2005. In 2007 we expanded Islamic Banking to offer residential financing in 10 states outside of Michigan, and opened two one-person financing origination offices in key Muslim communities in northern Virginia and New Jersey. Due to the rapid expansion of our originations of mortgage alternative products sold in the secondary market in 2008, this investment will begin to pay off. For example, the cost savings in May 2008 alone were over \$12,000.

The balance of this letter will review the market position and opportunities offered by our operating businesses. We try to differentiate our bank by finding profitable niches that have certain characteristics, including high profitability, high return on equity, high return on capital invested, a reasonable risk/reward ratio, and a barrier to entry or little competition. Each of the four businesses that we have: the credit union mortgage subservicing business, the community bank in Ann Arbor, the Islamic banking subsidiary and the new HUD lending focused wholesale mortgage company, has that profile.

MIDWEST LOAN SERVICES

As it is responsible for over 55% of the revenue of the bank, Midwest Loan Services (Midwest) is the key profit driver of the bank currently. The loss of the 7,000 loans from one CUSO account in April 2007 was unfortunate but management had planned for this beginning in October 2006 when we learned that it would happen and this was anticipated in the 2007 budget. By the end of 2007 Midwest had completely replaced this lost business with new and more diversified client accounts. Until this loss of business, Midwest had an unbroken string of eight years with average compounded annual growth of 33% per annum. Historical growth rates have resumed and as of May 1, 2008 Midwest was ahead 16% for the year, having

returned to its historical 33% per year growth rate. The following statistics illustrate the current situation of the key metric of Midwest's results, the number of loan subserviced, which drives both non-interest income and the volume of zero cost escrow deposits (and therefore University Bank's net interest income):

	Number of Mortgages	Comment
Dec-01	5,830	
Dec-02	9,319	
Dec-03	15,047	
Dec-04	18,233	
Dec-05	24,720	
Dec-06	32,561	
Jan-07	32,866	
Feb-07	35,048	
Mar-07	36,125	
Apr-07	29,093	Loss of major CUSO with 7,000 mortgages April 1, 2007
May-07	30,589	
Jun-07	31,242	
Sep-07	32,770	
Dec-07	33,937	
Mar-08	35,906	
May-08	39,600	Large CU customer with 3,000 mortgages added May 1, 2008

We don't anticipate the ongoing growth to slacken and the organic growth there should be outstanding. Going forward, there is no reason why the business shouldn't continue to grow at 30%-35% annual rates. We did that for seven years before 2007's setback, and we still only have 2.7% market share in the industry overall. The credit union servicing business is driven by the growth in the credit union industry. The credit union industry has increased its market share of the financial services business in the United States from about 5% in the 1970s to over 10% today. That growth has been fueled by the fact that credit unions pay no federal income tax. So they have a strong competitive advantage versus the banking industry and have been taking market share from the banking industry every year for years now. A further driver of growth that the credit union industry traditionally was not involved in the single-family mortgage business. They were primarily doing unsecured lending, home equity lending and car lending. But as credit unions try to expand into additional products, one that they are most interested in expanding into is the mortgage origination business, but it is a complicated product. Mortgage origination is the most complicated lending process in the financial services industry, so it is something that credit unions typically seek outside help with. Midwest helps them even if they have no expertise in the mortgage business to immediately enter the mortgage industry by originating single-family mortgages that are sold off to agencies or put into their own loan portfolio. We can provide any service that they want from application origination processing, underwriting, packaging and sale to the secondary market, and then servicing that mortgage after the sale to the secondary market. We can do that either in our own name or in their name on a white-label basis. We can do that for a wide range of mortgage products now in the market. We are the only provider in the industry that allows credit unions to do all that.

In servicing credit unions, the barrier to entry is quite large. We have spent a significant amount of time and money building the most sophisticated Internet delivered service in the mortgage subservicing industry. We chose from the beginning the path of a "turtle strategy" offering low prices and customer-centric superior service. It would be very difficult and very expensive for someone to compete with us now. The cost of building a comparable technically sophisticated system that delivers superior customer service would be very high and our low prices don't offer any incentive to come into our niche to compete with us.

UNIVERSITY ISLAMIC FINANCIAL

Our Islamic banking activities provided 20% of our revenues in 2007. Over the past several years and again in 2007, we invested significant sums in legal and product development expense related to expanding our Islamic Banking products. In May 2008 we closed our first Islamic commercial real estate financing deal and now have the capability to originate Islamic commercial real estate financings in any state nationwide. We have expanded the residential product set to ten additional states and gained FHLMC's backing to purchase financings in those states and in the future any additional states we add to our product set. We are working on finishing the work required to add an additional six states to our residential product set. These efforts have met with great success in the marketplace as witnessed by the significant growth in Islamic financings and Islamic deposits.

There are about 2.4 million Muslims in the United States and they are not really being well served by the traditional banking industry. There are only two organizations that are banks that are competing for that business but none of our competitors are publicly traded. We are the only bank in the United States that has a deposit product that is FDIC-insured offered to retail customers for the Islamic community. With the single family financing products that we have, we're competing with the other two banks and also a mortgage company that is focused on Islamic mortgage alternatives operating nationwide. So there is very limited competition right now. The demographic profile of the Muslim community is very attractive for financial services. About 47% of the Muslims in the United States have college degrees. Their per capita income and education is far superior to the average American and also their credit scores are far superior to the average American. We see very low delinquencies in the portfolio and it is also a very rapidly growing community because of high birth rates as well as high immigration rates. They are also resilient to economic setbacks because typically they live in multi-generational households with extended family all living under one roof sometimes with three, four or five incomes. So, if one family member loses a job it isn't a big setback for the family as a whole.

Islamic banking has very severe barriers to entry. For example, it took us four years to get one of our key residential financing products to the point where it was 100% compliant from end to end with Islamic Law, from origination through to servicing. It's really not easy. Anybody who takes a look at it would recognize how complex and difficult it is to do correctly. Actually, part of our business plan, not in 2008 but in the intermediate future, will be to offer those products to other financial institutions on a wholesale basis. A lot of financial institutions have taken a look at this business and said, "It is too complicated and too difficult so we're not going to offer products." Frankly, having gone through the process of getting to where we are today, I have to agree with that. If I was the third or fourth fast follower, I'm not sure I would want to get in. It's really a difficult, complicated business.

The organic growth opportunities in Islamic banking are tremendous because so far we have only been operating with people on the ground in Michigan, the Washington DC area and the New York City area. The plan for 2008 is to finish building the residential financing products for 16 states and then begin to deliver them in the other key markets that we are not presently in. As a result we will expand from where we were in 2006 serving a 150,000 Muslim community in only one state to serving perhaps 2 million potential customers across 16 states. In addition, in 2008 we started originating commercial real estate financings for Islamic customers. This product is now available nationwide. Based on our current business volumes we are probably #2 in the U.S. Islamic banking industry. Islamic banking worldwide is about a \$500 billion industry, but here in the United States it has just passed \$1 billion. That is a pretty big growth opportunity, and it'll keep us busy for a while.

COMMUNITY BANKING

Ann Arbor is a university town, hence the name of the bank itself. The University of Michigan is based in Ann Arbor. It is a vibrant and resilient community in a state that has suffered eight years of an economic depression. There are strong underlying dynamics in Ann Arbor and it has been a very good local market for us to grow in. University towns have great economic resilience because the federal and state

governments support education during economic downturns. Ann Arbor has carved out strong national expertise in the life sciences and alternative energy industries. While the growth opportunities in Ann Arbor haven't been nearly as good as in our other lines of business, at some point the economy of the state of Michigan will finally hit bottom and begin to grow again and Ann Arbor will lead that growth going forward.

Since it has not grown as fast as the other business units, Community Banking now provides just 24% of the overall revenue of the Bank. As other larger competitors stumble, we anticipate gaining market share in Ann Arbor, however until the economy turns, because the other areas are growing so rapidly, we would expect the overall revenue share of Community Banking to drop further over 2008 and 2009.

UNIVERSITY LENDING GROUP

The Bank formed a new corporation called University Lending Group, LLC, which commenced operations on April 1, 2008. The purpose of University Lending will be to market, originate, process, close and sell secondary mortgage market loans primarily to HUD, but also to FHLMC and FNMA and other investors on a servicing released basis. The primary source for these originations will be mortgage brokers from a number of states. Additionally, production is expected to come from retail originators working for University Lending including one serving as the inside mortgage sales originator for one of the largest regional Realtor® firms in southeast Michigan. The funding of the mortgage loans will come from University Bank. The expertise to run the operation will come from the Managing Members of University Lending, including an experienced management team with whom the Bank has previously been in a successful partnership in a similar business. University Bank will also provide accounting back office support to University Lending.

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

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

The barrier to entry to learn the HUD business is high as it is highly technical and the number of trained experts is quite low relative to current levels of demand. What had previously been a tiny corner of the mortgage business has become a quarter of all new originations. With the demise of the various secondary market conduits, HUD lending is more attractive than it has been in years. Since we believe that the mortgage industry turmoil will continue for years, we believe that HUD lending will continue to grow and become a mainstream activity that financial institutions will either need to learn, or need to work with a wholesale specialist such as University Lending to gain access to this key product.

UNIVERSITY INSURANCE & INVESTMENT SERVICES

Our insurance and investment agency contributed only 1.6% of our revenues last year, but it plays a key support role, as customers who maintain multiple products with a bank have a lower likelihood of changing banks. Our insurance agency has a strong track record of writing profitable business for its 49 insurance carriers and had a claims to premiums written ratio of 31%, which is outstanding. This prompted the President of one of the insurance companies we represent to call up our insurance agency's President and tell her that our underwriting result was the best in the history of his company for any agency that they've worked with. Going forward, we intend to leverage our management expertise here to add Islamic insurance products. This is a huge market that currently no U.S. company serves.

IN CONCLUSION

If you have read this far, you have learned that we are one of the only publicly traded firms in the United States in which an investor can invest in either the ongoing growth of the credit union industry or the growth of Islamic banking, and that the growth opportunities of both are outstanding. You have learned that we have continued to innovate and will continue to innovate in the future by finding profitable niches that have certain characteristics, including high profitability, high return on equity, high return on capital invested, a reasonable risk/reward ratio, and a barrier to entry or little competition. You also have learned that each of the four businesses that we have, the credit union mortgage subservicing business, the community bank here in Ann Arbor, the Islamic banking subsidiary, and the new HUD lending focused wholesale mortgage company, fits our target niche profile.

A personal note. This July I will complete 20 years of service to your company as your President and CEO. One of the challenges of being in the same position 20 years is that people say that if you can't accomplish everything you want to accomplish in 10 years, you are not going to accomplish it. I believe that surrounding yourself with good people who are themselves talented and thoughtful people helps keep you fresh and on your toes. My goal is to hire the best and the most highly experienced people that we can. I don't surround myself with a bunch of "yes" people. I like to have people who challenge me every day to do a better job. So, I want to say "thank you" to my loyal lieutenants who do most of the day-to-day work that drives the results I have written about above. Since the business is rapidly growing, there are still many items on my "to do" list that we should be able to do. For example, I fully intend to drive the Islamic Banking firm to \$1 billion in assets and add many additional products. Also, Midwest's subservicing portfolio should increase to over \$10 billion of mortgages. These types of opportunities will keep us all happy and busy for a long time. I look forward to a long mutual relationship together.

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? Why not give us a try? Please take a few minutes 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. No business can be outstanding without loyal and quality shareholders, customers and employees. We look forward to seeing you at our annual meeting at the Bank's main office in Ann Arbor, June 27, 2008.

Sincerely,



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

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/HUD/VA: standard home mortgages up to \$417,000 from University Bank, Midwest Loan Services and University Lending Group

Jumbo: home mortgages of more than \$417,000 from University Bank, Midwest Loan Services and University Lending Group

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 & Money Management: from University Insurance & Investments

Discount Brokerage: 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.



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

Board of Directors

Gary Baker, VP of IT Delivery Services; Borders Group

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

Charles McDowell, Chairman; 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 Contributing 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., Chairman of Midwest Loan Services, University Insurance & Investment Services and Jove Corporation and Managing Member, University Lending Group

Michael Talley, Director; Vice President, Ladenburg Thalmann & Company, a brokerage firm, Member, Financial Services Technology Consortium's Security & Enterprise Architecture Committees and Chairman, South East Michigan Health Information Exchange's Security & Privacy Subcommittee

Officers

Dennis Agresta, Chief Accounting Officer

Charles McDowell, 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

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

Nicholas Fortson, Director; Chief Executive Officer & Treasurer, Simpson Group, a minority certified trucking firm

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

John J.H. ("Joe") Schwarz, M.D., Director; Otolaryngologist, Former United States Congressman, Chairman of the Board of the Alumni Association of the University of Michigan

Officers

Dennis Agresta, Executive Vice President - Accounting Manager & Cashier

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

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

Darnell Grant, Security Officer & IT Manager

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

Peggy Lamb, Senior Vice President - Collections

Julie Price, Executive Vice President, Islamic Banking & Mortgage Education Officer

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

Steven Thoms, Executive Vice President - Commercial Lending

**Directors and Officers
University Islamic Financial**



Board of Directors

Nicholas Fortson, Director; Chief Executive Officer & Treasurer, Simpson Group, a minority certified trucking firm

Stephen Lange Ranzini, Chairman & President

Julie Price, Director & Chief Operating Officer; Executive Vice President – Islamic Banking of University Bank

John Sickler, Director & Executive Vice President, Commercial Lending; Executive Vice President – Residential Lending of University Bank

Officers

Dennis Agresta, Cashier; Executive Vice President - Accounting Manager & Cashier of University Bank

Tracy Garland, Assistant Vice President

Julie Price, Chief Operating Officer

Stephen Lange Ranzini, Chairman & President

Amjad Quadri, National Director of Sales and Assistant Vice President

**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, Simpson Group, a minority certified trucking firm

Stephen Lange Ranzini, Chairman; Chairman & President of University Bank

John Sickler, Director & Executive Vice President, Commercial Lending; Executive Vice President – Residential Lending of University Bank

Julie Price, Director & Chief Operating Officer; Executive Vice President – Islamic Banking of University Bank

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

**Directors and Officers
University Lending Group, LLC**



Managing Members

Jess Monticello, Executive Vice President
Marianne Opt, President
Stephen Lange Ranzini, Chairman & President of University Bank

Officers

Gerry Burke, Vice President
Randy Fosgard, Executive Vice President
Christopher King, Vice President
Jess Monticello, President
Marianne Opt, Chief Executive Officer
Greg Weeder, Vice President

Common Stock and Dividend Information

The Company's Common Stock trades on The NASDAQ Capital Market™ under the symbol UNIB. As of the March 31, 2008 we had approximately 622 stockholders including approximately 483 beneficial owners of shares held by brokerage firms or other institutions.

	<u>High</u>	<u>Low</u>
<u>2008</u>		
Second Quarter through May 31 st	\$2.10	\$1.66
First Quarter	2.20	1.72
<u>2007</u>		
Fourth Quarter	2.20	1.63
Third Quarter	2.05	1.60
Second Quarter	2.10	1.80
First Quarter	2.37	1.80
<u>2006</u>		
Fourth Quarter	2.38	1.90
Third Quarter	2.54	1.04
Second Quarter	2.90	1.95
First Quarter	2.95	1.76

No cash dividends have been paid on our common stock. We do not currently anticipate declaring or paying dividends in 2008. We plan to reevaluate our dividend policy prior to year-end 2008.

UNIVERSITY BANCORP, INC.

Corporate Information

Corporate Office

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Independent Certified Public Accountants

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General Counsel

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Harvey Koning, Esq.
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Transfer Agent

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Free additional information:

Please see our Investor Relations web page at 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:

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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, 2007 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

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

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. Any prediction of the future contained in this annual report is inherently not assured. 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 6 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, 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.