



200 East Nashville Avenue
Post Office Box 8
Atmore, Alabama 36504

251.446.6000
800.423.7026

www.unitedbank.com
Member FDIC



Get a hard copy of United Bank's
informative 2019 Annual & Impact Report.

Request a copy at
UnitedBankAnnualReport.com/book

Dear Shareholder,

United had a tremendous year in 2019 made up of smart investment opportunities, organizational stability and strategic planning.

First, United completed a private placement of \$26.25 million of its common stock in April. As a result 1,312,500 shares of common stock were issued at a purchase price of \$20.00 per share. Those funds have not only bolstered capital but also positioned the Company for future growth opportunities.

The twelve months ending December 31, 2019, United Bancorporation of Alabama, Inc. reported net income of \$9.78 million or \$2.86 per diluted share compared to \$9.9 million or \$4.09 per diluted share for the twelve months of 2018. The \$9.9 million includes \$4.0 million Capital Magnet Fund (CMF) awarded by the Community Development Financial Institution (CDFI) Fund to finance affordable housing projects. Without the award, 2018 net income would have been \$6.8 million or \$2.82 per diluted share. When compared to 2019, core earnings grew \$2.9 million or 42.15%. Earnings per share also increased despite the additional shares issued through the capital raise.

A sustained improvement in earnings provided the necessary stability to support a dividend increase. In the fourth quarter, a semi-annual dividend of \$0.13 per share was declared, which is a 62.5% increase from the prior dividend of \$0.08 per share.

The strong earnings growth in 2019 is due, in large part, to 2018's robust loan growth. Year-over-year interest and fees on loans increased \$3.8 million or 18.96%. Although, year-over-year interest on deposits increased \$792,766 or 41.67%, the margin still expanded \$3.1 million or 15.30%, even after the provision.

Non-interest income, excluding CDFI award income and New Markets Tax Credit (NMTC) fees, increased \$2.4 million or 19.27% year-over-year. Of the \$2.4 million, \$1.025 million is attributable to the closing out of Alabama Department of Economic and Community Affairs (ADECA) State Small Business Credit Initiative (SSBCI Program), which partially guaranteed

approximately \$6.7 million in loans. Increased revenues from debit and credit card interchange, secondary mortgage fees and investment portfolio gains comprised the remaining difference.

Community Development Financial Institution (CDFI) award income and NMTC fees decreased \$3.8 million or 30.31%. In 2018, United received a \$4.0 million CMF award whereas in 2019 it received two Bank Enterprise Awards totaling \$479,803. NMTC fees declined \$121,191 or 6.06%. The lower income is a function of the amount of NMTC allocation deployed during the year.

As a direct result of strategic investment in technology, people and branding along with two branch acquisitions, year-over-year non-interest expense increased \$2.1 million or 10.59%. United's balance sheet continued to expand as it executed initiatives to grow its single family housing portfolio and to deploy funds awarded by USDA for its Community Facilities Relending program and to leverage the CDFI Fund's CMF award and NMTC allocation. Year-over-year total assets grew \$89.9 million or 14.1%; and loans grew \$45.2 million or 11.1%. Deposits grew \$45.9 million or 8.01% with non-interest bearing and interest bearing deposits growing \$13.1 million or 5.08% and \$32.7 million or 10.42%, respectively. Even with the higher growth in interest bearing deposits, United's net interest margin and cost of funds for 2019 were 4.09% and 0.53%, respectively. United's cost of funds is consistently among the best across all banks nationwide.

Total equity increased \$36.2 million or 77.7% from the prior period. Net income and funds from the capital raise are the primary contributors to the hefty increase. Regulatory capital ratios for both United Bank and United Bancorporation of Alabama, Inc. exceed the minimum requirements.



Sincerely,
Bob Jones
President & CEO