United Bancorporation *of Alabama, Inc.*

2020 Quarter 2

Report

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UBAB & UB

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UB ONLY

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President's Letter

Our Company began 2020 looking forward to a prosperous year. With several strategic initiatives fully implemented, our focus turned to growth and leveraging technology investments to drive profitability and efficiency. Our technology investment would be a key affirmative differentiator to unanticipated forced operational changes in experienced Q2. Unprecedented circumstances drove change; we just didn't realize how much change there would be and how greatly it would influence our reliance on technology.

In our first quarter report, we outlined 2019 trends and second quarter plans. Since that time, COVID-19 continues to spread, causing more disruptions locally. These are unprecedented times. The budget and forecast prepared in 2019 provides a historical perspective to trends coming out of a very strong economy. Clearly, those trends did not anticipate a worldwide pandemic and recession. The performance of the first two quarters cannot be predictors to the remainder of the year. However, as we close Q2, discussion have begun as to outlook revisions and strategies for the remainder of 2020 and into 2021.

Second quarter results reflect the value and diversity of the Company's business model. Our agile digital platforms gave us the ability to operate and deliver a seamless experience to both our customers and staff. During the quarter, we experienced office service disruptions due to COVID-19 exposure. This resulted in systematic office closures as well as staffing adjustments. Employees worked remotely to limit exposure, while still operating at full capacity. The operating environment was unpredictable, however our management team addressed unanticipated twists and responded to a variety of challenges.

The bank never ceased serving any market. Our customers expected a seamless experience. We confidently delivered that experience with the management of real time relationships through digital solutions like Smart ATMs, online and mobile banking, limited lobby access and virtual conference calls.

President's Letter

Mortgage lending remains robust. Limited inventory of new homes as well as construction challenges have had some impact, but low rates have benefitted demand. Consumer spending and borrowings for recreational assets like boats and vehicles have remained surprisingly strong.

Demand for Paycheck Protection Program (PPP) loans has dominated lending since its release. From the beginning, the entire process has been very challenging. In addition, the forbearance process was running simultaneously. A more detailed narrative on these efforts are included in the credit section of this report. Our customer centric approach during the deployment of the PPP process proved valuable by supporting immediate business owners' needs who in turn became relationship customers. We have been a respected resource to individuals, families and businesses. Moving businesses forward, PPP funds have delivered a lifeline to small business.

UB Community Development (UBCD) continues its work on projects previously approved as well as building a pipeline of new projects. UBCD continues to deliver unique and targeted products to eligible markets and companies. I would call your attention to their website at www.ubcommunitydevelopment.com for details on specific projects as well as additional information, a comprehensive range of services and the impact they deliver.

Our Company continues to be recognized for our mission driven community development work. Community Development Financial Institution (CDFI) Fund awards are no longer considered an anomaly but a compensation for our delivered commitment to economic development, community development and affordable housing.

On July 15, 2020, the CDFI Fund awarded UB Community Development, LLC a $65 million allocation of New Markets Tax Credits (NMTCs). The allocation allows us to continue our mission of serving underserved and low-income persons in our target markets by providing flexible financing to projects throughout the region that will create jobs and provide critical services to local residents. This marks our third award of Federal NMTCs and we estimate that it will result in $2 million in fee income and $30 million in loan growth over the next 24 months.

President's Letter

We currently have more than $20 million in allocation that we are preparing to close and have been working with some of these projects for more than 12 months. For comparative purposes, we received $55 million in NMTCs in July 2018 and the final project utilizing that allocation was closed in May 2020. Thus, these projects often have a long lead time and require extensive planning and coordination prior to closing and funding.

Our work in affordable housing continues. United Bank was awarded a $6 million Capital Magnet Fund (CMF) award. This award is the second received by the bank. This one-time event is reflected in non-interest income. The award will fund multi-family projects. Our work continues on the deployment of Community Facilities Lending funds to public entities in eligible areas of Alabama.

The $4 million CMF award that was awarded to United Bank in May, 2018 has been a tremendous success. When the remaining balance of this award is funded to affordable housing projects in early Q4 of 2020, these funds will have helped build or preserve more than 850 affordable units across Alabama.

Additionally, United Bank will have leveraged the award to generate almost $51 million in total construction loans since 2018. In second quarter 2020, total new loan commitments directly related to the 2017 CMF award were nearly $12 million.

Demand for the $6 million CMF award received in May, 2020, has been very strong. We currently have close to $4 million of the award in various stages of our pipeline, with expected closings, including construction commitments, of $20 million in 2020, $34 million in 2021, and $35 million in 2022. In terms of the number of affordable units built or preserved, we forecast at least 1,200 units that will be positively impacted by the 2019 award.

In an offensive strategic position, reserves have been expanded due to the uncertainty as well as the range of forecast which project an extended economic recovery. Furthermore, our Special Assets Department has elevated their monitoring of loan performance and proactive collection.

President's Letter

The Company was pleased to be ranked 9th in the country in the recently published American Banker Magazine's annual list of top 200 publicly held banks with assets of less than $2 billion, an increase from the Company's 2019 16th ranking. This is our second year in a row to receive this recognition. This recognition affirms the value of the portfolio of services delivered by our Company as well as our commitment to sound financial performance, community and economic development. The ranking is based on the Company's three-year return on average equity (ROAE). United Bancorporation's three-year ROAE average was 15.92%, well above the bank average ROAE of 7.97%.

The remainder of this year, and the coming years, will be challenging in ways we didn't anticipate. As global conditions evolve, we can't predict the new environment and the unprecedented levels of uncertainty we are facing today. While the immediate challenges are uncomfortable, one thing we know is we're in this together and here to help. For our Company, having a mission driven culture offers benefits to our shareholders, staff and communities.

Our strategies executed prior and post crisis will continue to inspire and build a better tomorrow. We will look back to 2020 and know we undertook the uncomfortable challenges with courage and resilience.

Robert R Jones, III

Bob Jones

President & CEO

AMERICAN BANKER
2020 Top 200 Community Banks

Credit Notes

Paycheck Protection Program

United Bank was heavily involved in the origination of Paycheck Protection Program (PPP) Loans during the second quarter. At quarter end, United Bank had originated 916 PPP loans totaling nearly $50.0 million. More than 200 of these borrowers were new customers to the Bank. Loans ranged in size from $450 to $1.9 million. These loans helped maintain jobs and sustain payroll levels across our service area. While final guidance related to loan forgiveness has yet to be released by the SBA, the Bank has invested in a third party software program to aid borrowers in navigating through the forgiveness process. This solution should streamline the forgiveness process for all borrowers as well as provide a means to efficiently communicate with all PPP borrowers. The Bank has conducted an open invitation to applicants to attend weekly PPP video calls. These calls offer a forum to share information, answer questions, or provide demonstrations related to the new forgiveness software program.

Deferrals & Modifications

As a result of the COVID-19 pandemic, United Bank has worked with existing borrowers who may need payment concessions or assistance. As of June 30, 2020, United Bank has granted payment deferrals or modifications on consumer loans totaling $5.3 million as well as commercial loans totaling $47.0 million. The total of $52.4 million equals approximately 10.2% of loans outstanding at quarter end. These loans are being closely monitored during the deferral period.

Asset Quality

Despite the current pandemic, overall asset quality has remained strong. 30 day and greater past dues are reported at 0.92% of gross loans. Non-accrual loans to total loans is currently at 0.75%, which remains in line with bank peers. Total non-performing assets to total assets remains strong at 0.70%. At quarter end, bank ORE had been reduced to $962,500 net of reserves. At the end of June, the bank was under contract to sell the largest piece of ORE currently held. That sale is scheduled to close by mid-July and reduce the balance by $830,000. The bank has maintained focus on credit quality by conducting weekly staff meetings to proactively monitor and address any emerging issues.

Credit Notes

Loan Portfolio Analysis

Total loans at quarter end were $512.0 million, loans grew $52.6 million during the quarter. The largest growth sector occurred in C&I lending with an increase of $47.0 million. This was largely due to the PPP loans generated during the quarter. The bank's agriculture portfolio continues to perform very well. As the area farmers are in the middle of their normal crop season, we are seeing the usual increase in crop production loans with an increase of $4.0 million in second quarter 2020, as compared to $7.5 million year to date. Growth areas are in the construction space with $1.4 million growth in residential construction quarter to date and $5.8 million in multi-family construction year to date. Our mortgage services department continued to perform well during the second quarter reporting fee income of $288,095, a 31.5% increase compared to the second quarter of 2019. Mortgage fee income year to date shows a 25.5% increase over the same period last year. Pipelines remain full and lenders report robust activity across all sectors of the portfolio. As we consistently do, it is worth noting that agriculture production has regional variability. United Bank's agriculture portfolio is comprised of timber and row crops, cotton and peanuts.

$50
MILLION

Paycheck Protection Program

United Bank has processed 916 PPP loans totaling nearly $50 million.

Deferrals

United Bank has granted $52 million in deferrals, 10% of total loans outstanding.

10%

Loan Portfolio Concentrations

Loan Portfolio Concentrations

During this period of uncertainty, the Bank has maintained an awareness of areas of elevated risk. We continue to monitor certain industry types and will continue to be vigilant in stressing credits as we underwrite loans. Lenders will continue to do a quarterly reassessment of their loan portfolios to ensure proper loan grading. Certain industries are monitored for concentration levels to ensure that our portfolio remains balanced and healthy.

COVID "At Risk" Metrics	6/30/2020	3/31/2020
Total Loans ($000)	512,299	459,650
Total Loans w/o PPP	462,345	459,650
At Risk Loans ($000)	91,430	87,816
As % of Total Loans	17.85%	19.10%
Loan Loss Reserves ($000)	(6,277)	(5,983)
As % of "At Risk" Loans	6.87%	6.81%
As % of Total Loans	1.23%	1.30%
Tang Common Equity ($000)	90,319	84,758
As % of "At Risk" Loans	98.78%	96.52%
LLR & TCE ($000)	96,596	90,741
As % of "At Risk" Loans	105.65%	103.33%
Estimated Deferrals ($000)	52,464	2,302
As % of Total Loans	10.24%	0.50%
Estimated PPP Loans ($000)	49,954	-
As % of Total loans	9.75%	0.00%

Loan Portfolio Concentrations

Categories Concentrations

Categories of "At Risk" Loans	6/30/2020	3/31/2020
Hotel ($000)	9,878	8,836
As % of Total Loans	1.93%	1.92%
Retail ($000)	12,591	12,966
As % of Total Loans	2.46%	2.82%
Convenient Stores ($000)	11,778	11,572
As % of Total Loans	2.30%	2.52%
Healthcare ($000)	6,379	5,754
As % of "At Risk" Loans	1.25%	1.25%
Office ($000)	8,155	8,025
As % of "At Risk" Loans	1.59%	1.75%
Industrial & Warehouse ($00)	11,351	11,513
As % of Total Loans	2.22%	2.50%
Church ($000)	11,270	11,388
As % of Total Loans	2.20%	2.48%
Multifamily ($000)	20,028	17,762
As % of Total Loans	3.91%	3.86%

Financial Notes

United Bancorporation of Alabama, Inc. ("United") reported net income of $8.3 million for the six months ending June 30, 2020 compared to net income of $4.1 million for the same period last year. The $8.3 million includes a $6.0 million Capital Magnet Fund (CMF) grant awarded by the CDFI Fund to finance affordable housing projects. Without the CMF award, net income for the six months ending June 30, 2020 would have been $3.6 million. Earnings per share for the six month period was $2.24 and $0.99 without the CMF award compared to $1.34 for the same period in 2019.

Net income for the three month period ending June 30, 2020 was $5.9 million compared to net income of $2.4 million for the same period last year. Without the CMF award, net income would have been $1.3 million. Earnings per share for the three months ended June 30, 2020 was $1.60 compared to an earnings per share for the same period last year of $0.67.

The return on average assets and average equity for the six months ended June 30, 2020 was 2.13% and 19.27%, respectively.

Balance Sheet

United reported total assets of $890.5 million at June 30, 2020 as compared to $677.2 million at June 30, 2019, an increase of $213.3 million or 31.5%.
Total loans, net of unearned income at June 30, 2020 were $512.3 million compared to $428.6 million at June 30, 2019, representing an increase of $83.7 million or 19.5%. Paycheck Protection Program (PPP) loans account for $49.9 million of the growth. Approximately $30 million in loan growth was fueled by real estate construction for New Markets Tax Credits (NMTC) and Low Income Housing Tax Credit (LIHTC) projects, loans to municipalities and commercial real estate. Mortgage lending for 1-4 family and home equity lines grew $2.6 million. The securities portfolio declined $20.7 million or 14.0% as the bond market responded to lower yields in the form of faster prepayments and bond refundings.

During the first quarter, United closed the Community Foundation of South Alabama (CFSA) project, its first NMTC transaction as an investor.
In addition to receiving the 39.0% tax credit over the seven year investment period, which began in 2019,

Financial Notes

the investor maintains controlling interest in two legal entities, the investment fund and community development entity (CDE) that are part of the NMTC structure. The CDE, which is 99.9% owned by United, financed loans to CFSA in the amount of $3.5 million.

Total deposits were $771.0 million at June 30, 2020 as compared to $582.0 million in total deposits at June 30, 2019, representing an increase of $189.0 million or 32.5%. The coronavirus and the various stimulus programs caused customers to maintain higher levels of liquidity. Not only are deposits at elevated levels, but cash and interest bearing deposits also grew by $146.7 million or 228.7%.

Operating Results

Year-to-date 2020 net interest income before the provision was $12.5 million compared to $11.9 million for the same period in the prior year, an increase of $589,024 or 4.9%. Second quarter 2020 net interest income before the provision was $6.14 million versus $6.17 million in the second quarter of 2019, representing a slight decline of $33,636 or -0.5%. Interest and fees on loans improved by $417,803 quarter over quarter but the increase was offset by reduced earnings on cash and the investment portfolio. Both interest income and expense were flat quarter-over-quarter.

As a result, United's net interest margin for the six months ended June 30, 2020 was 3.66% as compared to 4.03% for the same period in 2019. Earning asset yields declined 39 bps year over year to 4.13%. Yields on interest bearing liabilities fell 3 bps to 89 bps for the six months ending June 30. The cost of funds for the six months ended June 30, 2020 was 48 bps compared to 51 bps for the six months ending June 30, 2019.

Similarly, for the quarter ending June 30, 2020, the net interest margin was 3.40% as compared to 4.06% for the quarter ending June 30, 2019, a 66 bps decrease. Earning asset yields declined 74 bps to 3.82% for the quarter ending June 30, 2020. Yields on interest bearing liabilities decreased 11 bps to 82 bps for the three months ending June 30, 2020. The cost of funds was 43 bps compared to 52 bps for the quarter ending June 30, 2019.

Financial Notes

The lower earning asset yield and margin are a result of $49.9 million in PPP loans at 1.0% coupled with excess liquidity earning 10 bps. PPP loans accounted for all but $5.7 million in loan growth for the second quarter. To date, United has earned approximately $2.1 million in fees related to PPP loans. United has not recognized any of this revenue, but intends to do so in the third quarter.

The provision for credit losses for the six months ended June 30, 2020 was $1.0 million compared to $430,455 for the same period last year. In March 2020, a $500,000 provision was expensed due to the global economic uncertainty surrounding the coronavirus pandemic. For the quarter ending June 30, 2020, the provision for credit losses was $300,000 as compared to $155,455. This brings the allowance for loan losses to $6.2 million and the coverage ratio to 1.23%. Excluding PPP loans, the allowance to loans coverage ratio would be 1.35%.

Non-interest income for the six months ended June 30, 2020 was $11.3 million compared to $4.5 million for the same period last year. The $6.0 million CMF award was recognized in the second quarter of 2020. Without it, year-to-date non-interest income would have been $5.3 million, which is $730,656 more than the same period last year.

During the first quarter, United received a $799,000 Financial Assistance award from the CDFI Fund in support of small business lending initiatives. Non-interest income without either CDFI award is $68,697 less than the same period in the prior year.

For the quarter ending June 30, 2020, non-interest income was $7.9 million compared to $2.7 million for the quarter ending June 30, 2019. Without the CMF award, second quarter non-interest income would have been $1.9 million, which is $765,670 less than the same period in the prior year. The higher deposit balances during the second quarter reduced insufficient funds revenue by $208,654 or 54.4% from second quarter 2019. Non-interest income was impacted by the volume of NMTC transactions. Three transactions closed in the second quarter of 2019 versus one transaction in second quarter 2020, resulting in less fee income.

Non-interest expense for the six months ended June 30, 2020 was $12.1 million compared to $10.8 million for the same period last year, an increase of $1.2 million or 11.7%.

Financial Notes

Quarter-over-quarter non-interest expense rose $492,289 or 8.8% to $5.9 million. The increased expenses are due to the opening of two new branches in Daphne and Semmes, AL, the installation of deposit-taking ATMs in all branch locations, and strategic new hires.

Capital

At June 30, 2020, shareholders' equity totaled $92.6 million compared to $76.9 million at June 30, 2019, an increase of $15.1 million or 19.7%.

At June 30, 2020, tier one capital ratio, tier one leverage ratio and total equity to total assets were approximately 17.75%, 12.10% and 10.44%, respectively. Excluding PPP loans, which are temporarily inflating the balance sheet, total equity to total asset ratio would be 11.02%.

On June 30, 2020, United declared a semiannual dividend of $0.10 per share, payable July 15, 2020, which represents a 1.13% yield.

Financial Overview

YTD Net Income | $8.3 million

Total Deposits | $771.0 million

Earnings Per Share | $2.24

Allowance to Loans Coverage Ratio | 1.35% *excluding PPP loans

Cash & Interest Bearing Deposits | 228.7% increase over 6/30/19

Quarterly Comparison

United Bancorporation of Alabama, Inc.	6/30/2020 No CMF Award	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Equity						
Tier One Leverage		12.10%	12.95%	12.70%	12.89%	12.60%
Tier One Capital		17.75%	17.99%	17.33%	17.14%	17.35%
Equity to Total Assets		10.44%	11.69%	11.29%	11.28%	11.37%
At Month End						
Loans, net of unearned income ($000)		512,361	459,650	455,067	448,255	428,616
Total Deposits ($000)		771,014	629,759	622,567	611,519	582,005
Total Assets ($000)		890,567	742,977	730,778	713,481	677,214
Earnings & Performance Ratios						
Net Income ($000)	1,307	5,941	2,369	2,418	3,245	2,455
Net Interest Margin	3.40%	3.40%	3.95%	4.08%	4.18%	4.05%
Return on Average Equity	5.81%	27.00%	11.22%	11.79%	16.43%	13.27%
Return on Average Assets	0.62%	2.87%	1.30%	1.32%	1.86%	1.44%
Earnings Per Share	0.35	1.60	0.64	0.65	0.88	0.67
Weighted Avg Shares Oustanding	3,708,050	3,708,050	3,704,441	3,692,880	3,680,597	3,652,255

Quarterly Comparison

United Bank	6/30/2020 No CMF Award	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Equity						
Tier One Leverage		9.36%	9.79%	9.60%	9.36%	9.04%
Tier One Capital		13.86%	13.73%	13.25%	12.60%	12.46%
Equity to Total Assets		8.99%	9.92%	9.57%	9.23%	9.21%
Cost of Funds						
United Bank Cost of Funds		0.39%	0.49%	0.50%	0.49%	0.44%
AL Bank Peers Cost of Funds		-	0.81%	0.79%	0.83%	0.86%

Balance Sheet

United Bancorporation of Alabama, Inc. And Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2020	June 30, 2019
Assets		
Cash and due from banks	$41,866,652	$23,900,944
Interest bearing deposits in banks	168,985,234	36,249,797
Federal funds sold	-	4,000,000
Cash and cash equivalents	210,851,886	64,150,741
Securities available for sale (amortized cost of $107,880,423 and $130,469,769 respectively)	111,016,900	131,001,690
Securities held to maturity (fair values of $17,424,175 and $17,841,896 respectively)	16,820,725	17,579,817
	127,837,625	148,581,507
Loans held for sale	1,327,317	559,750
Loans held for investment	512,361,189	428,616,425
Less: Allowance for loan losses	6,276,607	4,633,956
Net Loans	506,084,582	423,982,469
NMTC Sub-CDE QLICI Loans	3,500,000	-
Premises and equipment, net	16,405,757	13,961,807
Interest receivable	4,119,626	3,609,045
Bank owned life insurance	11,871,450	11,545,252
Other real estate owned	962,500	1,433,167
Other assets	7,606,045	9,389,889
Total Assets	890,566,788	677,213,627

Balance Sheet

United Bancorporation of Alabama, Inc. And Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2020	June 30, 2019
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	399,364,259	252,228,129
Interest bearing	371,649,652	329,776,854
Total deposits	771,013,911	582.004,983
Other borrowings	10,248,128	3,078,207
Interest payable	237,919	227,537
Accrued interest and other liabilities	6,086,235	4,603,364
Note payable to Trust	10,310,000	10,310,000
Total liabilities	797,896,193	600,224,091
Stockholders' Equity		
Preferred stock of $.01 par value. Authorized 250,000 shares: no shares issued in 2020 and 2019, respectively	-	-
Class A common stock, $0.01 par value. Authorized 5,000,000 shares; issued 3,710,852 and 3,656,758 shares, respectively	37,764	37,618
Class B common stock, $0.01 par value. Authorized 250,000 shares; no shares issued or outstanding	-	-
Additional paid in capital	33,261,848	32,882,495
Retained earnings	58,568,954	45,743,569
Accumulated other comprehensive loss net of tax	2,352,358	398,942
	94,220,924	79,062,624
Less: 239 and 239 treasury shares, at cost, respectively	1,951	1,951
Less: Unvested Restricted Stock and Unallocated ESOP Shares	1,548,378	2,071,137
Total stockholders' equity	92,670,595	76,989,536
Total liabilities and stockholders' equity	$ 890,566,788	$ 677,213,627

Income Statement

United Bancorporation of Alabama, Inc. And Subsidiaries
Consolidated Statement of Earnings
(Unaudited)

	Six Months Ended June 30	
	2020	2019
Interest income:		
Interest and fees on loans	$12,488,651	$11,324,735
Interest on investment securities:		
Taxable	1,017,550	1,236,466
Nontaxable	396,540	425,545
Total investment income	1,414,090	1,662,011
Other interest income	286,899	465,040
Total interest income	14,189,640	13,451,786
Interest expense:		
Interest on deposits	1,375,015	1,227,918
Interest on other borrowed funds	299,414	297,681
Total interest expense	1,674,429	1,525,599
Net interest income	12,515,211	11,926,187
Provision for loan losses	1,000,000	430,455
Net interest income after provision for loan losses	11,515,211	11,495,732

Income Statement

United Bancorporation of Alabama, Inc. And Subsidiaries
Consolidated Statement of Earnings
(Unaudited)

	Six Months Ended June 30	
	2020	2019
Noninterest income:		
Service charge and fees	2,261,646	2,366,781
Investment securities gains, net	215,729	(4,858)
Mortgage loan and related fees	548,497	437,012
Other	910,827	672,511
CDFI Award income	6,799,353	233,950
New market tax credit sub-allocation and placement fees	560,000	860,000
Total noninterest income	11,296,052	4,565,396
Noninterest expense:		
Salaries and benefits	6,837,721	6,139,721
Net occupancy expense	1,292,810	1,021,783
Other	3,964,173	3,666,157
Total noninterest expense	12,094,704	10,827,661
Earnings before income tax expense	10,716,559	5,233,467
Income tax expense	2,405,565	1,135,814
Net earnings	8,310,994	4,097,653
Preferred stock dividends	-	-
Net earnings available to common shareholders	$ 8,310,994	$ 4,097,653

Income Statement

United Bancorporation of Alabama, Inc. And Subsidiaries
Consolidated Statement of Earnings
(Unaudited)

	Six Months Ended June 30 2020	2019
Basic earnings per share available to common shareholders	$2.24	$1.34
Diluted earnings per share available to common shareholders	$2.24	$1.34
Basic weighted average shares outstanding	3,706,246	3,052,940
Diluted weighted average shares outstanding	3,706,246	3,052,940
Cash dividend declared per share	$0.100	$0.080

1.13%
Dividend Yield

$2.24
Earnings Per Share

12.10%
Tier One Capital Ratio

$65 MILLION NMTC

Fee Income & Loan Growth

$65 million NMTC award to generate an estimated $2 million in fee income & $30 million in loan growth over the next two years.

$6 MILLION CMF

Fee Income & Loan Growth

$6 million CMF award to generate an estimated $89 million in construction lending over the next two years.

Forward Looking Statement

This presentation contains forward-looking statements relating to the financial condition, results of operations and business of United Bancorporation of Alabama, Inc. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of United Bancorporation of Alabama, Inc., and the information available to management at the time that this presentation was prepared. Factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (i) general economic or business conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; (ii) changes in the interest rate environment may reduce net margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; (iii) competitive pressures among depository and other financial institutions may increase significantly; (iv) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which United Bancorporation of Alabama, Inc. is engaged; (v) local, state or federal taxing authorities may take tax positions that are adverse to United Bancorporation of Alabama, Inc.; (vi) adverse changes may occur in the securities markets; (vii) competitors of United Bancorporation of Alabama, Inc. may have greater financial resources and develop products that enable them to compete more successfully than United Bancorporation of Alabama, Inc. Therefore, United Bancorporation of Alabama, Inc. can give no assurance that the results contemplated in the forward-looking statements will be realized. Investors are cautioned not to place undue reliance on the forward-looking statement. United Bancorporation of Alabama, Inc. does not undertake a duty to update any forward-looking statements made in this presentation.

United Bancorporation of Alabama, Inc.

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