United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Annual and Fourth Quarter Earnings

(OTCQX: UBAB)- United Bancorporation of Alabama, Inc., parent company of United Bank and UB Community Development, a community development partner of United Bank, announces its financial results for the year and the fourth quarter ending December 31, 2020.

United Bancorporation of Alabama, Inc. ("United") reported net income of $12.1 million for the twelve months ending December 31, 2020 compared to net income of $9.7 million for the same period in 2019. The $12.1 million includes a $6.0 million Capital Magnet Fund (CMF) grant awarded by the CDFI Fund to finance affordable housing activities. Without the CMF award, net income for the twelve months ending December 31, 2020 would have been $7.5 million. Earnings per share for the twelve month period was $3.27 compared to $2.86 for the same period in 2019 and $2.01 without the CMF award.

Net income for the three month period ending December 31, 2020 was $1.5 million compared to net income of $2.4 million for the same period last year. Earnings per share for the three months ended December 31, 2020 was $0.42 compared to an earnings per share for the same period last year of $0.65.

A semiannual dividend of $0.10 per share plus a special dividend of $0.05 per share was declared for stockholders of record on December 31, 2020 and paid on January 15, 2021. The dividend represents a 15.38% increase over the prior period and maintains a 1.0% yield.

The return on average assets and average equity for the twelve months ended December 31, 2020 was 1.38% and 13.10%, respectively.

Balance Sheet

United reported total assets of $993.9 million at December 31, 2020 as compared to $727.5 million at December 31, 2019, an increase of $266.4 million or 36.6%.

At December 31, 2020 securities were $159.5 million as compared to $138.7 million for the same period last year, an increase of $20.8 million or 15.0% in an effort to deploy excess cash into higher yielding assets.

Total loans, net of unearned income at December 31, 2020 were $528.1 million compared to $455.1 million at December 31, 2019, representing an increase of $72.9 million or 16.0%. PPP loans account for $37.6 million of the growth. The remaining $35.3 million in loan growth was fueled by real estate construction for New Market Tax Credit (NMTC) and Low Income Housing Tax Credit (LIHTC) projects as well as loans to small businesses and municipalities.

Total deposits were $868.8 million at December 31, 2020 as compared to $619.1 million in total deposits at December 31, 2019, representing an increase of $249.8 million or 40.4%. The 2020 balances are higher than is typical, but they are temporary and should normalize in the first quarter of 2021. The inflated balances are also reflected in the $262.8 million cash balance at year end, which is an increase of $164.4 million or 167.1% over the same period last year.

As of December 31, 2020, other borrowings totaled $11.7 million, an increase of $3.7 million or 45.8% over the prior period. The increase is attributable to United's investment in two NMTC transactions. As investor United will receive 39.0% tax credit over a 7 year period.

Operating Results

Year-to-date 2020 net interest income before the provision was $26.2 million compared to $25.1 million for the same period in the prior year, an increase of $1.1 million or 4.5%. Fourth quarter 2020 net interest income before the provision was $6.7 million versus $6.6 million in the fourth quarter of 2019, representing an increase of $105,210 or 1.6%. Net SBA PPP fees recognized for both the year and fourth quarter totaled $1.1 million and $270,708, respectively.

As a result, the net interest margin for the twelve months ended December 31, 2020 was 3.53% as compared to 4.09% for the same period in 2019. Earning asset yields declined 68 bps year over year to 3.93%. Yields on interest bearing liabilities fell 11 bps to 70 bps for the twelve months ending December 31, 2020, resulting in a 12 bps reduction in the cost of funds to 41 bps.

Similarly, for the quarter ending December 31, 2020, the net interest margin was 3.33% as compared to 4.08% for the quarter ending December 31, 2019, a 75 bps decline. Earning asset yields declined 98 bps to 3.65% for the quarter ending December 31, 2020. Yields on interest bearing liabilities decreased 24 bps to 61 bps for the quarter. Similarly, the cost of funds declined to 33 bps from 50 bps.

The provision for credit losses for the twelve months ended December 31, 2020 was $2.7 million compared to $1.6 million for the same period last year. For the fourth quarter 2020, the provision for credit losses was $910,696 as compared to $890,530 for the same period in 2019. As SBA PPP fees are recognized, they are being expensed through the provision to build loan loss reserves. The allowance for loan losses increased to $7.7 million and the coverage ratio to 1.47%. Excluding PPP loans, the allowance to loans coverage ratio would be 1.58%.

Non-interest income for the twelve months ended December 31, 2020 was $16.5 million compared to $10.9 million for the same period last year. This contains both the CMF award of $6.0 million and the Financial Assistance (FA) award of $799,000. Without those awards, year-to-date 2020 non-interest income would have been $9.7 million. Non-interest income is lower in 2020, because a couple of NMTC transactions were unable to close in the fourth quarter and because of a one-time benefit of $1.025 million in the fourth quarter of 2019 to discontinue Alabama's State Small Business Credit Initiative (SSBCI) guarantee program. The NMTC transactions are expected to close in the first quarter of 2021.

For the quarter ending December 31, 2020 non-interest income was $2.4 million compared to $3.3 million for the quarter ended December 31, 2019. In October 2020, United received $202,898 for its Bank Enterprise Award application. Mortgage origination fees were $83,149 more in the fourth quarter 2020 than for the same period in 2019.

Non-interest expense for the twelve months ended December 31, 2020 was $24.6 million compared to $21.9 million for the same period last year, an increase of $2.7 million or 12.6%. Fourth quarter 2020 non-interest expense rose $287,277 or 4.8% to $6.2 million. The increased expense is due to salary and benefits; maintenance and depreciation of fixed assets and technology expense.

Capital

At December 31, 2020, stockholder's equity totaled $96.8 million compared to $82.8 million at December 31, 2019, an increase of $13.5 million or 16.4%.

Tier one capital ratio, tier one leverage ratio and equity to assets were approximately 17.51%, 11.37% and 9.74%, respectively.

Credit Quality

As of December 31, 2020, $296,015 in COVID related modifications remain and are expected to resume their payment schedule during the first quarter of 2021.

No loans are past due greater than 90 days. Non-accrual loans total $3.1 million of which four loans totaling $339,998 have been restructured. Performing restructured loans consist of five loans totaling $1.1 million. Other real estate includes two loans totaling $292,500.

The largest Industry specific concentrations are industrial and warehouse and multifamily loans at 3.42% and 4.24% of outstanding loans, respectively.

For a complete quarterly report and financial performance metrics please visit our investor relations tab at www.UnitedBank.com.

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About United Bank

United Bank is a $972,000,000 financial institution that has enjoyed 116 years of continuous service to Atmore, Alabama and surrounding communities. United Bank has offices in Atmore, East Brewton, Brewton, Flomaton, Monroeville, Frisco City, Bay Minette, Daphne, Foley, Lillian, Loxley, Magnolia Springs, Semmes, Silverhill, Spanish Fort, and Summerdale in Alabama. United Bank serves Santa Rosa County, Florida in Jay, Milton, and Pace. For more information about United Bank, please visit our website at www.unitedbank.com. Member FDIC.

About UB Community Development

UB Community Development's strong history and experience in New Markets Tax Credit transactions, coupled with our passion for improving the communities around us, make UBCD Alabama's premier financial partner for economic and community development. Through our NMTC projects, Community Facilities Lending Program and Community Housing Capital Fund, UBCD is working with community development partners in the fields of healthcare, education, manufacturing, public works, and more. For more information about UB Community Development, visit our website at www.UBCommunityDevelopment.com.

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.
And Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	December 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Cash and due from banks	$ 108,506,410	$ 40,901,279
Interest bearing deposits in banks	154,376,518	55,534,092
Federal funds sold	-	2,000,000
Cash and cash equivalents	262,882,928	98,435,371
Securities available for sale (amortized cost of $141,515,294 and $120,643,349 respectively)	144,854,569	121,372,532
Securities held to maturity (fair values of $15,267,741 and $17,658,034 respectively)	14,701,703	17,345,341
	159,556,272	138,717,873
Loans held for sale	2,817,561	-
Loans held for investment	528,061,950	455,124,946
Less: Allowance for loan losses	7,757,211	5,286,160
Net loans	520,304,739	449,838,786
NMTC Sub-CDE QLICI Loans	3,500,000	-
Premises and equipment, net	15,986,632	15,627,115
Interest receivable	4,175,263	4,099,373
Bank owned life insurance	12,033,331	11,709,616
Other real estate owned	157,000	1,083,359
Other assets	12,493,676	7,986,365
Total assets	$ 993,907,402	$ 727,497,858
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$ 486,405,309	$ 271,688,965
Interest bearing	382,474,307	347,377,918
Total deposits	868,879,616	619,066,883
Other borrowings	11,752,637	8,058,708
Interest payable	220,752	239,854
Accrued expenses and other liabilities	5,895,727	6,961,893
Note payable to Trust	10,310,000	10,310,000
Total liabilities	897,058,732	644,637,338
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 3,742,367 and, 3,702,715 shares, respectively	37,906	37,744
Class B common stock, $0.01 par value. Authorized 250,000 shares; no shares issued or outstanding	-	-
Additional paid in capital	33,576,094	33,204,200
Retained earnings	61,858,700	50,655,518
Accumulated other comprehensive loss net of tax	2,504,457	546,888
	97,977,157	84,444,350
Less: 239 and 239 treasury shares, at cost, respectively	1,951	1,951
Less: Unvested Restricted Stock and Unallocated ESOP shares	1,126,536	1,581,879
Total stockholders' equity	96,848,670	82,860,520
Total liabilities and stockholders' equity	$ 993,907,402	$ 727,497,858

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2020	**2019**	**2020**	**2019**
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest income:				
Interest and fees on loans	$ 6,709,185	$ 6,446,800	$ 26,135,391	$ 23,973,321
Interest on investment securities:				
Taxable	503,475	608,101	1,992,205	2,443,034
Nontaxable	198,070	195,760	794,187	831,346
Total investment income	701,545	803,861	2,786,392	3,274,380
Other interest income	35,068	296,821	364,335	1,059,241
Total interest income	7,445,798	7,547,482	29,286,118	28,306,941
Interest expense:				
Interest on deposits	583,774	742,949	2,559,124	2,695,378
Interest on other borrowed funds	102,666	150,385	519,669	538,322
Total interest expense	686,440	893,334	3,078,793	3,233,700
Net interest income	6,759,358	6,654,148	26,207,325	25,073,241
Provision for loan losses	910,696	890,530	2,727,891	1,687,364
Net interest income after provision for loan losses	5,848,662	5,763,618	23,479,434	23,385,877
Noninterest income:				
Service charges and fees	1,294,454	1,325,417	4,857,677	4,887,250
CDFI Award Income	202,898	305	7,002,251	479,803
New market tax credit sub-allocation and placement fees	-	-	1,020,000	1,880,000
Investment securities gains, net	(5,260)	-	211,350	117,512
Mortgage loan and related fees	344,841	261,692	1,181,987	985,962
Other	611,735	1,723,550	2,292,450	2,625,322
Total noninterest income	2,448,668	3,310,964	16,565,715	10,975,849
Noninterest expense:				
Salaries and benefits	3,662,164	3,646,571	14,152,456	12,608,987
Net occupancy expense	692,272	553,714	2,695,706	2,124,438
Other	1,928,154	1,795,028	7,822,966	7,168,167
Total noninterest expense	6,282,590	5,995,313	24,671,128	21,901,592
Earnings before income tax expense	2,014,740	3,079,268	15,374,021	12,460,134
Income tax expense	459,935	661,118	3,204,752	2,680,443
Net earnings	1,554,805	2,418,150	12,169,269	9,779,691
Preferred stock dividends	-	-	-	-
Net earnings available to common shareholders	$ 1,554,805	$ 2,418,150	$ 12,169,269	$ 9,779,691
Basic earnings per share available to common shareholders	$0.42	$0.65	$3.27	$2.86
Diluted earnings per share available to common shareholders	$0.42	$0.65	$3.27	$2.86
Basic weighted average shares outstanding	3,732,848	3,692,880	3,717,283	3,419,566
Diluted weighted average shares outstanding	3,732,848	3,692,880	3,717,283	3,419,566
Cash dividend declared per share	$ 0.150	$ 0.130	$ 0.250	$ 0.210

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	12/31/2020	9/30/2020	6/30/20 No CMF Award	6/30/2020	3/31/2020	12/31/2019
Equity						
Tier One Leverage	11.37%	11.49%		12.10%	12.95%	12.70%
Tier One Capital	17.51%	17.66%		17.75%	17.99%	17.33%
Equity to Total Assets	9.74%	10.59%		10.44%	11.69%	11.29%
At Month End						
Loans, net of unearned income	528,061,950	551,126,127		512,361,189	459,649,937	455,124,946
Total Deposits	868,879,616	770,724,204		771,013,911	629,759,319	619,066,883
Total Assets	993,907,402	903,211,003		890,566,788	742,977,301	727,497,858
Earnings & Performance Ratios						
Net Income	1,554,805	2,303,469	1,307,067	5,941,527	2,369,468	2,418,150
Net Interest Margin	3.33%	3.51%	3.40%	3.40%	3.95%	4.08%
Return on Average Equity	6.46%	9.77%	5.81%	27.00%	11.22%	11.79%
Return on Average Assets	0.66%	1.02%	0.62%	2.87%	1.30%	1.32%
Earnings per Share	0.42	0.62	0.35	1.60	0.64	0.65
Weighted Avg Shares Outstanding	3,732,848	3,723,552	3,708,050	3,708,050	3,704,441	3,692,880

United Bank

Your Hometown Advantage

Quarterly Comparison

	12/31/2020	9/30/2020	6/30/20 No CMF Award	6/30/2020	3/31/2020	12/31/2019
Equity						
Tier One Leverage	8.94%	8.92%		9.36%	9.79%	9.60%
Tier One Capital	13.95%	13.88%		13.86%	13.73%	13.25%
Equity/Assets	8.50%	9.28%		8.99%	9.92%	9.57%
Cost of Funds						
United Bank Cost of Funds	0.31%	0.33%		0.39%	0.49%	0.50%
AL Banks Peers Cost of Funds	n/a	0.57%		0.66%	0.81%	0.79%