United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Second 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 second quarter ending June 30, 2021. On July 2, 2021, President & CEO Bob Jones announced his retirement. Mike Vincent, Chief Credit Officer and Interim President said, "We would like to thank Bob for his 31 years of service. He was instrumental in growing United to $1 billion in assets and its' many achievements. The current management team will continue to execute the existing strategies and looks forward to ongoing success."

United Bancorporation of Alabama, Inc. ("United") reported net income of $11.9 million for the six months ending June 30, 2021 compared to net income of $8.3 million for the same period last year. Earnings per share for the six-month period was $3.18 compared to $2.24 for the same period in 2020.

Net income for the three-month period ending June 30, 2021 was $8.3 million compared to net income of $5.9 million for the same period last year. Earnings per share for the three months ended June 30, 2021 was $2.22 compared to an earnings per share for the same period last year of $1.60.

The return on average assets and average equity for the six months ended June 30, 2021 was 2.51% and 23.97%, respectively.

United declared a semiannual dividend of $0.12 per share that was paid on July 12, 2021 to shareholders of record on June 30, 2021.

Balance Sheet

United reported total assets of $1.0 billion at June 30, 2021 as compared to $890.5 million at June 30, 2020, an increase of $127.5 million or 14.3%. Balance sheet growth was driven primarily by deposits. Total deposits were $882.1 million at June 30, 2021 as compared to $771.0 million in total deposits at June 30, 2020, representing an increase of $111.1 million or 14.4%. As a result of deposit growth, cash and interest bearing deposit balances increased by $20.9 million or 9.9% and the securities portfolio increased by $50.4 million or 39.4%.

Total loans, net of unearned income at June 30, 2021 were $571.6 million compared to $512.3 million at June 30, 2020, representing an increase of $59.3 million or 11.6%. United has originated over $94.0 million in PPP loans with $46.7 million yet to be forgiven. Loan growth was fueled by real estate construction for New Markets Tax Credit (NMTC) and Low Income Housing Tax Credit (LIHTC) projects, and commercial real estate.

Operating Results

Year-to-date 2021 net interest income before the provision was $14.7 million compared to $12.5 million for the same period in the prior year, an increase of $2.2 million or 17.6%. PPP fees comprise $1.2 million of the increase. Second quarter 2021 net interest income before the provision was $7.3 million versus $6.1 million in the second quarter of 2020, representing an increase of $1.1 million or 19.3%.

As a result, United's net interest margin for the six months ended June 30, 2021 was 3.49% as compared to 3.67% for the same period in 2020. Earning asset yields declined 32 bps year over year to 3.79%. Yields on interest bearing liabilities fell 22 bps to 63 bps for the six months ending June 30. The cost of funds for the six months ended June 30, 2021 declined 15 bps year-over-year to 31 bps.

Similarly, for the quarter ending June 30, 2021, the net interest margin was 3.33% as compared to 3.40% for the quarter ending June 30, 2020, a 7 bps decrease. Earning asset yields declined 19 bps to 3.63% for the quarter ending June 30, 2021. Yields on interest bearing liabilities decreased 19 bps to 62 bps for the three months ending June 30, 2021. The cost of funds was 31 bps compared to 42 bps for the quarter ending June 30, 2020.

The provision for credit losses for the six months ended June 30, 2021 was $593,134 compared to $1.0 million for the same period last year. No provision was made during the second quarter ending June 30, 2021 compared to $300,000 provision made during the second quarter in 2020. The lower provision in 2021 is due to the strong post COVID economic recovery and stable asset quality. At June 30, 2021 the allowance for loan losses was $8.6 million and the coverage ratio was 1.50%. Excluding PPP loans, the allowance to loans coverage ratio was 1.64%.

Non-interest income for the six months ended June 30, 2021 was $14.2 million compared to $11.0 million for the same period last year. United received a Capital Magnet Fund ("CMF") award of $8.0 million in 2021 and $6.0 million in 2020. 2021 year-to-date NMTC fee income is $1.8 million, an increase of $1.4 million over the same period last year. Mortgage related income also increased $337,079 or 61.5% over last year. Service charges and fee income appear to be recovering; the category increased $298,031 or 13.3% over last year.

For the quarter ending June 30, 2021 non-interest income was $10.3 million compared to $7.9 million for the quarter ending June 30, 2020. All 2021 non-interest income components increased in the quarterly comparison except for NMTC income, which did not generate any fees during the quarter.

Non-interest expense for the six months ended June 30, 2021 was $12.8 million compared to $11.8 million for the same period last year, an increase of $1.0 million or 8.7%. Quarter-over-quarter non-interest expense rose $689,511 or 11.5% to $6.7 million. The higher expenses are attributed to the return to pre COVID operations and costs related to the acquisition of Town Country National Bank (TCNB) in Camden, Ala.

Capital

At June 30, 2021, shareholders' equity totaled $107.1 million compared to $92.6 million at June 30, 2020, an increase of $14.4 million or 15.5%.

At June 30, 2021 tier one capital ratio, tier one leverage ratio and total equity to total assets were approximately 19.16%, 11.84% and 10.52%, 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 $1 billion financial institution that has enjoyed 117 years of continuous service to Atmore, Alabama and surrounding communities. United Bank has offices in Atmore, East Brewton, Brewton, Daphne, Flomaton, Monroeville, Frisco City, Bay Minette, 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.

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)

	June 30 2021 (Unaudited)	June 30 2020 (Unaudited)
Assets		
Cash and due from banks	$ 71,690,287	$ 41,866,652
Interest-bearing deposits in banks	160,070,973	168,985,234
Federal funds sold	-	-
Cash and short term investments	231,761,260	210,851,886
Securities available for sale, at fair value (amortized cost of $162,874,779 and $107,880,423 at June 30, 2021 and 2020, respectively)	164,229,703	111,016,900
Securities held to maturity, at amortized cost (fair value of $14,454,200 and $17,424,175 at June 30, 2021 and 2020, respectively)	14,007,574	16,820,725
	178,237,277	127,837,625
Loans held for sale	265,200	1,327,317
Loans held for investment	571,661,664	512,361,189
Less: Allowance for loan losses	8,598,526	6,276,607
Loans, net	563,063,138	506,084,582
NMTC Sub-CDE QLICI Loans	3,500,000	3,500,000
Premises and equipment, net	15,727,747	16,405,757
Interest receivable	4,292,665	4,119,626
Bank owned life insurance	12,191,298	11,871,450
Other real estate owned, net	-	962,500
Other assets	8,997,137	7,606,045
Total assets	1,018,035,722	890,566,788
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	457,725,898	399,364,259
Interest-bearing	424,452,204	371,649,652
Total deposits	882,178,102	771,013,911
Interest payable	136,789	237,919
Other borrowings	13,569,142	10,248,128
Note payable to Trust	10,310,000	10,310,000
Accrued expenses and other liabilities	4,766,830	6,086,235
Total liabilities	910,960,863	797,896,193
Stockholders' equity		
Preferred stock of $.01. Authorized 250,000 shares; no shares issued	-	-
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,804,405 and 3,782,506 issued; 3,755,886 and 3,710,613 shares outstanding in 2021 and 2020, respectively	38,044	37,764
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	33,951,076	33,261,848
Retained earnings	73,312,741	58,568,954
Accumulated other comprehensive loss net of tax	1,016,193	2,352,358
	108,318,054	94,220,924
Less 239 treasury shares, at cost		
Less unvested restricted stock	1,951	1,951
and unallocate ESOP shares (48,280 and 71,654, respectively)	1,241,244	1,548,378
Total stockholders' equity	107,074,859	92,670,595
Total liabilities and stockholders' equity	$ 1,018,035,722	$ 890,566,788

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income				
Interest and fees on loans	$ 7,235,665	$ 6,265,964	$ 14,512,745	$ 12,488,651
Interest on investment securities				
Taxable securities	560,907	431,752	1,077,228	994,979
Nontaxable securities	200,211	201,243	403,688	396,540
Total investment income	761,118	632,995	1,480,916	1,391,519
Other interest income	17,827	27,344	65,824	286,899
Total interest income	8,014,611	6,926,303	16,059,485	14,167,069
Interest expense				
Interest on deposits	569,074	646,446	1,131,844	1,375,015
Interest on other borrowed funds	116,057	133,899	210,862	276,843
Total interest expense	685,131	780,345	1,342,706	1,651,858
Net interest income	7,329,480	6,145,958	14,716,779	12,515,211
Provision for loan losses	-	300,000	593,134	1,000,000
Net interest income after provision for loan losses	7,329,480	5,845,958	14,123,645	11,515,211
Noninterest income				
Service charge and fees	1,374,359	1,074,959	2,547,318	2,249,287
CDFI award income	8,000,000	6,000,000	8,000,000	6,799,000
New market tax credit closing fees	-	140,000	1,810,000	420,000
Investment securities gains, net	50,726	8,274	78,414	215,729
Mortgage loan and related fees	365,037	288,095	885,576	548,497
Other	509,524	391,754	941,800	792,225
Total noninterest income	10,299,646	7,903,082	14,263,108	11,024,738
Noninterest expense				
Salaries and benefits	3,622,575	3,515,822	7,166,759	6,837,721
Net occupancy expense	712,565	639,211	1,433,460	1,292,810
Other	2,370,063	1,860,659	4,254,471	3,692,859
Total noninterest expense	6,705,203	6,015,692	12,854,690	11,823,390
Earnings before income tax expense	10,923,923	7,733,348	15,532,063	10,716,559
Income tax expense	2,592,562	1,791,821	3,622,580	2,405,565
Net earnings	8,331,361	5,941,527	11,909,483	8,310,994
Net earnings available to common shareholders	$ 8,331,361	$ 5,941,527	$ 11,909,483	$ 8,310,994
Basic earnings per common share	$ 2.22	$ 1.60	$ 3.18	$ 2.24
Basic weighted-average shares outstanding	3,750,811	3,707,811	3,747,629	3,706,026
Diluted earnings per common share	$ 2.22	$ 1.60	$ 3.18	$ 2.24
Diluted weighted-average shares outstanding	3,750,811	3,707,811	3,747,629	3,706,026
Cash dividend declared per share	$ 0.120	$ 0.100	$ 0.120	$ 0.100

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Equity					
Tier One Leverage	11.84%	11.71%	11.43%	11.49%	12.10%
Tier One Capital	19.16%	18.28%	17.66%	17.66%	17.75%
Equity to Total Assets	10.52%	10.27%	9.80%	10.59%	10.44%
At Month End					
Loans, net of unearned income	571,661,664	553,218,075	526,285,086	551,126,127	512,361,189
Total Deposits	882,178,102	828,654,826	868,879,616	770,724,204	771,013,911
Total Assets	1,018,035,722	949,038,124	988,707,713	903,211,003	890,566,788
Earnings & Performance Ratios					
Net Income	8,331,361	3,578,122	1,554,805	2,303,469	5,941,527
Net Interest Margin	3.33%	3.66%	3.33%	3.51%	3.40%
Return on Average Equity	32.53%	14.86%	6.46%	9.77%	27.00%
Return on Average Assets	3.38%	1.58%	0.66%	1.02%	2.87%
Earnings per Share	2.22	0.96	0.42	0.62	1.60
Weighted Avg Shares Outstanding	3,750,811	3,744,651	3,732,848	3,723,552	3,707,811

United Bank
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Quarterly Comparison

	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Equity					
Tier One Leverage	9.37%	9.13%	8.94%	8.92%	9.36%
Tier One Capital	15.20%	14.42%	13.95%	13.88%	13.86%
Equity to Total Assets	9.12%	8.81%	8.50%	9.28%	8.99%
Cost of Funds					
United Bank Cost of Funds	0.29%	0.30%	0.31%	0.33%	0.39%
AL Banks Peers Cost of Funds	n/a	0.43%	0.48%	0.57%	0.66%