United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Third Quarter Earnings

(OTCQX: UBAB)- United Bancorporation of Alabama, Inc., parent company of United Bank (UB), Town-Country United Bank (TCUB), and UB Community Development (UBCD) announces its financial results for the third quarter ended September 30, 2022.

United Bancorporation of Alabama, Inc. ("United") reported net income of $13.5 million for the nine months ending September 30, 2022 compared to net income of $15.2 million for the same period last year. Earnings per share for the nine month period was $3.68 compared to $4.07 for the same period in 2021.

Net income of $5.6 million for the three months ended September 30, 2022 compared to net income of $3.3 million for the same period last year. Earnings per share for the three-month period was $1.58 compared to $0.89 for the same period in 2021.

Balance Sheet

United reported total assets of $1.3 billion on September 30, 2022 as compared to $1.1 billion on September 30, 2021, an increase of $197.8 million or 17.2%. Growth can be attributed to an increase in cash and interest-bearing deposits due to United receiving $123.7 million from the United States Department of Treasury's Emergency Capital Investment Program ("ECIP") in return for issuing senior preferred stock.

Year-over-year the securities portfolio grew $60.7 million or 24.2% to $312.5 million, which is comprised of growth in UB's portfolio of $51.9 million and growth of $8.9 million in TCUB's portfolio. Securities account for 23.2% of total assets.

Total loans held for investment as of September 30, 2022 were $695.5 million compared to $652.7 million at September 30, 2021, representing an increase of $42.8 million or 6.6%. This loan growth was fueled by commercial and multi-family real-estate lending. Only $554,498 of United Bank's original $94.1 million in PPP loans remains unforgiven. TCUB did not participate in the PPP program.

Other assets increased $15.5 million over the same period last year, due in large part to deferred tax assets stemming from AOCI adjustments to AFS debt securities held in United's portfolio. As of September 30, 2022, the total deferred tax asset balance for AFS debt securities was $12,402,759, up from 235,912 as of September 30, 2021.

Deposits totaled $1.1 billion as of September 30, 2022 compared to $1.0 billion as of last year, an increase of $100.3 million or 9.9%. Non-interest-bearing deposits grew $61.8 million or 13.4% to $524.4 million and interest-bearing deposits grew $38.5 million or 7.0% to $591.3 million. Majority of the deposit growth can be attributable to the receipt of the ECIP funds by United.

Other borrowings increased by $7.7 million since September 30, 2021, due to loans made using USDA Community Facility Re-lending Program funds. The Program allows relenders to make fixed interest rate loans with maturities up to 40 years.

On September 30, 2022, United paid off its' $10.3 million note payable to Trust otherwise known as trust preferred securities. The interest rate is indexed to three month LIBOR, which has increased significantly this year. Expenses should be lower and more stable going forward.

Operating Results

Year-to-date 2022 net interest income before the provision was $29.8 million compared to $23.8 million a year ago, an increase of $6.0 million or 25.3%. Year-to-date securities income increased $2.0 million over the same period last year.

Third quarter 2022 net interest income before the provision was $11.6 million versus $9.1 million in the third quarter of 2021, representing an increase of $2.5 million or 28.0%.

United's net interest margin for the nine months ended September 30, 2022, was 3.51% as compared to 3.52% for the same period in 2021. As a result of higher interest rates, year-over-year loan yields increased 36 bps to 4.87% and offset reduced fee income from fewer PPP fees. Yields on interest bearing liabilities totaled 58 bps a decrease of 2 bps from the same period in 2021. Year-to-date cost of funds of 32 bps is 1 bp higher than in 2021.

Similarly, for the quarter ending September 30, 2022, the net interest margin was 3.65% as compared to 3.59% for the quarter ending September 30, 2021, a 7 bps increase. Earning asset yields increased 6 bps to 3.95% for the quarter ending September 30, 2022. Yields on interest bearing liabilities increased 5 bps to 61 bps. The cost of funds was 33 bps compared to 30 bps for the quarter ending September 30, 2021.

The provision for loan losses for the nine months ended September 30, 2022, was $1.3 million compared to $951,178 for same period last year. As of September 30, 2022, the allowance for loan losses was $11.7 million and the allowance to loans coverage ratio was 1.69% for consolidated entities. The coverage ratio was 1.70% and 1.51% for UB and TCUB, respectively.

Non-interest income for the nine months ended September 30, 2022, was $11.5 million compared to $18.7 million for the same period last year. United received a Capital Magnet Fund ("CMF") award for $8 million in 2021. Third quarter 2022 non-interest income was $3.6 million compared to $4.5 million for the third quarter 2021. In the third quarter 2022, United received a $170,699 Bank Enterprise Award (BEA) from the CDFI Fund; and UB Community Development closed two New Market Tax Credit (NMTC) transactions netting $965,000 in fee income. In the third quarter 2021, United received a $1.8 million Rapid Response Award from the CDFI Fund.

Mortgage loan and related fees for the nine months ended September 30, 2022 declined $719,150 or 66.7% from the same period last year as rising interest rates and home prices have slowed home sales.

Non-interest expense for the nine months ended September 30, 2022, was $22.6 million compared to $21.8 million for the same period last year, an increase of $829,130 or 3.79%. Third quarter 2022 non-interest expense was $7.4 million as compared to $9.0 million for the same period last year, a decrease of $1.5 million or 17.0%. During the third quarter of 2021, United accelerated the recognition of $1.5 million in prepaid expenses associated with various contracts and other projects with an average contract life greater than one year.

Credit Quality

As of September 30, 2022, nonaccrual loans totaled $7.0 million, an increase of $454,246 from the same period last year and a decrease of $189,241 from the previous quarter. As TCUB does not have any restructured loans, UB's restructured loans totaled $910,385.

Capital

The sharp rise in interest rates this year has created unrealized losses in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On September 30, 2022, the accumulated other comprehensive loss was $37.2 million, an increase from last year accumulated other comprehensive loss of $707,736.

In July 2022, through the US Department of Treasury's ECIP, United issued 123,750 shares in senior preferred stock totaling $123.75 million. The ECIP funds are meant to support and strengthen underserved and low-income communities that struggled through the pandemic. Dividends will not accrue for the first two years and will begin accruing at 2.0% after year two.

Unrealized gains and losses are not included in regulatory capital calculations. As of September 30, 2022, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 17.44%, 27.38% and 15.25%, respectively. UB's tier one leverage ratio, tier one capital ratio and equity to assets were 8.73%, 13.42% and 5.88%, respectively. TCUB elected the Community Bank Leverage Ratio (CBLR) and its tier one leverage ratio and equity to assets were 10.70% and 11.05%, respectively.

United will host a conference call on November 9, 2022 at 10:00 am (CST) to discuss third quarter 2022 performance. To join the conference call by computer:

https://zoom.us

Meeting ID: 821 4200 7328

Passcode: 281919

To join the conference call by phone:

(312) 626-6799 or (646) 558-8656

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About United Bancorporation of Alabama, Inc.

United Bancorporation of Alabama, Inc. (OTCQX: UBAB) is a $1.3 billion financial holding company that primarily serves Southwest Alabama as well as Northwest Florida. United is a Community Development Financial Institution (CDFI), which recognizes its commitment to stimulating economic development in underserved communities. United operates three subsidiaries: United Bank, Town-Country United Bank and UB Community Development. United Bank is also designated as a CDFI and operates 22 locations across five counties. The recently acquired Town-Country United Bank serves Wilcox County and its surrounding counties. UB Community Development focuses on economic and community development through its New Market Tax Credits, affordable housing and community facilities programs. United Bank has offices in Atmore, Brewton, East 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 a complete third quarter report and financial metrics visit our investor relations tab at www.UnitedBank.com. Member FDIC.

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)

		September 30 2022		September 30 2021
Assets				
Cash and due from banks	$	41,464,081	$	41,615,549
Interest-bearing deposits in banks		226,233,326		138,562,898
Federal funds sold		8,284,086		14,540,778
Cash and short term investments		275,981,493		194,719,225
Securities available for sale, at fair value (amortized cost of $352,422,599 and $239,860,340 at September 30, 2022 and 2021, respectively)		302,811,568		238,916,691
Securities held to maturity, at amortized cost (fair value of $9,502,921 and $13,181,550 at September 30, 2022 and 2021, respectively)		9,693,560		12,797,022
		312,505,128		251,713,713
Restricted equity securities, at cost		1,490,753		2,526,585
Loans held for sale		380,000		117,000
Loans held for investment		695,583,417		652,761,266
Less: Allowance for loan losses		11,726,097		9,267,910
Loans, net		683,857,320		643,493,356
NMTC Sub-CDE QLICI Loans		3,500,000		3,500,000
Premises and equipment, net		16,002,717		17,121,154
Interest receivable		5,407,198		5,004,604
Bank owned life insurance		18,808,607		17,235,589
Other real estate owned, net		52,481		209,599
Core Deposit Intangible		592,712		659,816
Goodwill		6,516,169		6,474,056
Other assets		24,206,572		8,630,881
Total assets		1,349,301,150		1,151,405,578
Liabilities and Stockholders' Equity				
Deposits				
Non-interest bearing	$	524,484,451	$	462,668,435
Interest-bearing		591,307,776		552,759,552
Total deposits		1,115,792,227		1,015,427,987
Interest payable		137,311		156,065
Other borrowings		21,133,192		13,384,619
Note payable to Trust		-		10,310,000
Accrued expenses and other liabilities		6,535,472		4,744,927
Total liabilities		1,143,598,201		1,044,023,598
Stockholders' equity				
Preferred stock, par value of $0.01. Authorized 250,000 shares; 123,750 and 0 shares issued, in 2022 and 2021, respectively		1,238		-
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,819,684 and 3,803,523 issued; 3,593,074 and 3,755,004 shares outstanding in 2022 and 2021, respectively		38,197		38,035
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued		-		-
Additional paid in capital		158,329,903		33,947,585
Retained earnings		92,203,549		76,664,137
Accumulated other comprehensive loss net of tax		(37,208,272)		(707,736)
		213,364,615		109,942,021
Less 188,537 and 239 treasury shares, at cost, in 2022 and 2021, respectively		5,395,444		1,951
Less unvested restricted stock and unallocated ESOP shares (100,505 and 117,985, respectively)		2,266,222		2,558,090
Total stockholders' equity		205,702,949		107,381,980
Total liabilities and stockholders' equity	$	1,349,301,150	$	1,151,405,578

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Interest income				
Interest and fees on loans	$ 9,592,383	$ 8,981,780	$ 26,643,087	$ 23,494,526
Interest on investment securities				
Taxable securities	1,568,507	657,263	3,659,754	1,734,491
Nontaxable securities	256,019	192,337	744,104	596,025
Total investment income	1,824,526	849,600	4,403,858	2,330,516
Other interest income	1,244,305	69,696	1,528,951	135,520
Total interest income	12,661,214	9,901,076	32,575,896	25,960,561
Interest expense				
Interest on deposits	761,012	669,772	2,190,985	1,801,616
Interest on other borrowed funds	231,976	117,378	521,610	328,238
Total interest expense	992,988	787,150	2,712,595	2,129,854
Net interest income	11,668,226	9,113,926	29,863,301	23,830,707
Provision for loan losses	453,240	358,044	1,367,566	951,178
Net interest income after provision for loan losses	11,214,986	8,755,882	28,495,735	22,879,529
Noninterest income				
Service charges and fees	1,646,998	1,571,736	4,847,881	4,119,054
CDFI award income	170,699	1,826,265	994,485	9,826,265
New market tax credit sub-allocation and placement fees	965,000	280,000	2,053,333	2,090,000
Consulting fees	-	-	143,750	-
Investment securities gains, net	-	5,883	-	84,297
Mortgage loan and related fees	85,229	192,386	358,812	1,077,962
Other	733,533	647,429	3,193,879	1,589,216
Total noninterest income	3,601,459	4,523,699	11,592,140	18,786,794
Noninterest expense				
Salaries and benefits	4,213,385	3,813,503	12,463,559	10,980,261
Net occupancy expense	896,010	1,014,303	2,539,160	2,447,859
Other	2,368,336	4,187,511	7,696,405	8,441,875
Total noninterest expense	7,477,731	9,015,317	22,699,124	21,869,995
Earnings before income tax expense	7,338,714	4,264,264	17,388,750	19,796,328
Income tax expense	1,666,107	912,793	3,859,625	4,535,374
Net earnings	5,672,607	3,351,471	13,529,125	15,260,954
Net earnings available to common shareholders	$ 5,672,607	$ 3,351,471	$ 13,529,125	$ 15,260,954
Basic earnings per common share	$ 1.58	$ 0.89	$ 3.68	$ 4.07
Basic weighted-average shares outstanding	3,592,562	3,755,988	3,677,303	3,751,094
Diluted earnings per common share	$ 1.58	$ 0.89	$ 3.68	$ 4.07
Diluted weighted-average shares outstanding	3,592,562	3,755,988	3,677,303	3,751,094
Cash dividend declared per share	$ -	$ -	$ 0.18	$ 0.12

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
Equity					
Tier One Leverage	17.44%	9.72%	9.94%	9.82%	9.71%
Tier One Capital	27.38%	13.66%	14.22%	15.15%	15.39%
Equity to Total Assets	15.25%	7.08%	8.28%	9.82%	9.33%
At Month End					
Loans, held for investment	695,583,417	686,019,945	666,388,761	657,155,493	652,761,266
Total Deposits	1,115,792,227	1,119,888,609	1,064,188,676	980,179,615	1,015,427,987
Total Assets	1,349,301,150	1,242,702,220	1,098,705,933	1,115,608,943	1,151,405,578
Earnings & Performance Ratios					
Net Income	5,672,607	4,980,920	2,876,598	3,265,511	3,351,471
Net Interest Margin	3.65%	3.58%	3.30%	3.41%	3.58%
Return on Average Equity	10.75%	21.78%	10.90%	12.01%	12.25%
Return on Average Assets	1.66%	1.66%	0.99%	1.11%	1.16%
Earnings per Share	1.58	1.36	0.76	0.87	0.89
Weighted Avg Shares Outstanding	3,592,562	3,673,743	3,767,526	3,755,636	3,755,988

United Bank

Quarterly Comparison

	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
At Month End					
Loans, held for investment	631,893,441	624,435,580	603,208,051	594,068,473	588,036,390
Total Deposits	1,106,250,973	1,012,316,522	954,077,312	867,411,140	900,066,310
Total Assets	1,196,213,103	1,108,583,608	1,061,534,757	976,558,028	1,008,741,132
Earnings					
Net Income	4,366,371	3,442,883	2,365,831	2,073,259	3,424,213
Net Interest Margin	3.62%	3.45%	3.13%	3.32%	3.69%
Equity					
Tier One Leverage	8.73%	9.04%	9.43%	9.34%	9.24%
Tier One Capital	13.42%	12.60%	13.33%	14.27%	14.68%
Equity to Total Assets	5.88%	6.85%	8.12%	9.74%	9.23%
Cost of Funds					
United Bank Cost of Funds	0.28%	0.29%	0.30%	0.28%	0.28%
AL Banks Peers Cost of Funds	n/a	0.28%	0.29%	0.32%	0.35%

TCUB Town-Country United Bank

Quarterly Comparison

	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021
At Month End					
Loans, held for investment	65,532,155	63,426,544	65,022,889	64,929,199	66,567,055
Total Deposits	107,744,489	114,086,848	114,271,042	117,556,660	118,823,667
Total Assets	123,822,807	129,397,815	130,769,810	135,757,614	136,899,184
Earnings					
Net Income	549,336	509,024	432,304	371,872	329,355
Net Interest Margin	5.13%	4.75%	4.71%	4.30%	4.02%
Equity					
Tier One Leverage*	10.70%	10.05%	9.20%	8.71%	8.78%
Equity to Total Assets	11.05%	11.51%	12.24%	13.21%	13.01%

* Elected CBLR.