United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Second Quarter Earnings and Repurchase Program

(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 second quarter ended June 30, 2023.

United Bancorporation of Alabama, Inc. ("United") reported net income of $14.0 million for the six months ended June 30, 2023, compared to net income of $7.8 million for the same period last year. Earnings per share for the six-month period were $3.88 compared to $2.11 for the same period in 2022. United also reported $7.3 million in net income for the three months ended June 30, 2023, compared to $4.9 million for the same period in 2022. Earnings per share for the second quarter in 2023 were $2.02 as compared to $1.36 for the same period last year.

On July 17, 2023, United paid a semi annual dividend of $0.25 per share to shareholders of record on June 30, 2023.

On July 25, 2023, the Board of Directors of United (the "Board") approved a stock repurchase program (the "Repurchase Program"). The Repurchase Program permits United to repurchase up to 5% of its currently issued and outstanding common stock (equaling 180,265 shares of common stock) in the open market at prevailing prices or in privately negotiated transactions with non-affiliates for a period of 12 months. The Repurchase Program may be suspended, terminated or modified at any time for any reason. There is no guarantee as to the exact number of shares that will be repurchased by United, if any.

Balance Sheet

United reported total assets of $1.3 billion on June 30, 2023, as compared to $1.2 billion on June 30, 2022, an increase of $108.7 million or 8.8%. Under the United States Department of Treasury's Emergency Capital Investment Program ("ECIP"), in July 2022 United issued senior preferred stock totaling $123.75 million, contributing to asset growth.

Cash and short term investments totaled $168.8 million at the end of June, which is $21.3 million or 11.2% less than a year ago. Cash and cash equivalents to total assets ratio is 12.49%.

Year-over-year the securities portfolio grew $18.6 million or 6.0% to $326.1 million. Securities account for 24.1% of total assets.

Total loans held for investment as of June 30, 2023, were $789.3 million compared to $686.0 million as of June 30, 2022, representing an increase of $103.3 million or 15.1%. Loans grew $26.3 million or 3.4% in the second quarter of this year. Growth was fueled by municipal, commercial and real-estate lending.

As of June 30, 2023, United's Allowance for Credit Losses (ACL) was $12.2 million and the allowance to loans coverage ratio was 1.55% for consolidated entities. United's ACL for held-to-maturity (HTM) debt securities was $4,678.

Other assets increased $5.0 million over the same period last year due to deferred taxes and additional investment of $2.4 in bank owned life insurance.

Deposits totaled $1.09 billion as of June 30, 2023, compared to $1.12 billion for the same period the prior year, a decrease of $21.4 million or 1.9%. Year-over-year non-interest bearing grew $18.4 million or 3.6%, while interest bearing deposits declined $39.8 million or 6.6%. Since March 31, 2023, deposits have grown $16.5 million.

September 30, 2022, United retired $10.3 million in trust preferred securities, eliminating the note payable to Trust. The newly created ACL off balance sheet credit exposure due to unfunded commitments balance totaled $755,741 at the end of the quarter. Accrued expenses and liabilities was $1.1 million or 22.4% more in June 2023 than June 2022 due to salary and credit card accruals.

Operating Results

Year-to-date through June 30, 2023 net interest income before the provision was $28.4 million compared to $18.2 million a year ago, an increase of $10.6 million or 56.5%. Year-to-date interest and fees on loans increased $5.9 million and securities income increased $2.4 million over the same period last year. Similarly, income from interest-bearing deposits increased $2.8 million to $3.1 million at the end of the second quarter 2023. Interest expense increased $1.0 million or 58.2% over the same period last year. The result being 4.61% net interest margin for the first six months of 2023 as compared to 3.43% in the first six months of 2022.

For the quarter ended June 30, 2023, net income was $14.3 million as compared to $9.6 million an increase of $4.7 million or 48.61%%. United's net interest margin for the three months ended June 30, 2023, was 4.61% as compared to 4.60% for quarter ended March 31, 2023, and 3.56% for the quarter ended June 30, 2022. The yield on earning assets for the second quarter 2023 was 5.11% as compared to first quarter 2023 of 4.97% and second quarter 2022 of 3.87%. When comparing second quarter 2023 to second quarter 2022 the yield on interest bearing liabilities rose 54 bps to 110 bps. For the same quarterly comparison, the cost of funds increased 27 bps to 59 bps in the second quarter of 2023.

The provision for credit losses for the six months ended June 30, 2023, was $491,372 compared to $914,326 for same period last year. For the three months ended June 30, 2023 the provision for credit losses was $220,000 versus $583,753 for the same period in 2022.

Non-interest income for the three months ended June 30, 2023, was $3.7 million compared to $5.1 million for the same period last year. Non-interest income for the first six months of 2023 was $6.6 million as compared to$7.9 million for the first six months of 2022. During the second quarter of 2022, United received $1.2 million from the unwind of its first NMTC loan pool transaction. United received a Financial Assistance (FA) award of $717,900 from the CDFI Fund in June 2023 and $701,530 in June 2022.

Non-interest expense for the three months ended June 30, 2023, was $8.5 million compared to $7.7 million for the same period last year, an increase of $772,538 or 9.9%. Of the increase, salaries and benefits and technology accounted for $417,797 and $122,923, respectively. Similarly, for the six months ended June 30, 2023 non-interest expense was $16.6 million as compared to $15.2 million for the same period last year. Salaries and benefits and technology expense comprise $1.2 million of the increase.

Credit Quality

Credit quality increased slightly since the prior quarter. As of June 30, 2023, nonaccrual loans totaled $7.2 million and non-performing assets were $7.9 million as compared to $7.0 million and $7.8 million, respectively as of March 31, 2023. As of June 30, 2022, nonaccrual loans and non-performing assets were $7.0 million and $7.5 million, respectively.

Capital

The sharp rise in interest rates has created unrealized losses in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On June 30, 2023, the accumulated other comprehensive loss was $33.6 million, an increase of $8.1 million from June 2022.

Unrealized gains and losses are not included in regulatory capital calculations. As of June 30, 2023, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 19.16%, 24.94% and 16.78%.

UB's tier one leverage ratio, tier one capital ratio and equity to assets were 12.22%, 15.89% and 9.50%, respectively. TCUB elected the Community Bank Leverage Ratio (CBLR) and its tier one leverage ratio and equity to assets were 20.22% and 20.73%, respectively.

United will host a conference call on August 10, 2023, at 1:00 pm (CST) to discuss second quarter 2023 performance. To join the conference call by computer:

https://zoom.us

Meeting ID: 826 4092 4953

Passcode: 698989

To join the conference call by phone:

(301) 715-8592 or (646) 931-3860

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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. 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, Flomaton, Monroeville, Frisco City, Bay Minette, Daphne, Foley, Lillian, Loxley, Magnolia Springs, Semmes, Silverhill and Summerdale in Alabama. United Bank serves Santa Rosa County, Florida in Jay, Milton and Pace. For complete quarterly report visit our investor relations tab at www.UnitedBank.com. Member FDIC.

This press release 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 press release 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.; and (viii) the timing and amount of purchase activity under the Repurchase Program, if any. 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 press release.

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

	June 30 2023	June 30 2022
Assets		
Cash and due from banks	$ 44,126,464	$ 46,075,738
Interest-bearing deposits in banks	114,270,820	139,614,016
Federal funds sold	10,425,000	4,478,667
Cash and short term investments	168,822,284	190,168,421
Investment in subsidiaries	1,854,897	2,124,548
Securities available for sale, at fair value (amortized cost of $363,864,687 and $331,725,342 at June 30, 2023 and 2022, respectively)	319,083,355	297,833,538
Securities held to maturity, net of allowance for credit losses of $4,678 (fair value of $6,978,058 and $9,680,870 at June 30, 2023 and 2022, respectively)	7,047,112	9,703,005
	326,130,467	307,536,543
Restricted equity securities, at cost	1,849,653	2,066,653
Loans held for sale	247,474	738,979
Loans held for investment	789,361,753	686,019,945
Less: Allowance for credit losses	12,257,827	11,181,217
Loans, net	777,103,926	674,838,728
NMTC Sub-CDE QLICI Loans	3,500,000	3,500,000
Premises and equipment, net	15,969,858	16,069,655
Interest receivable	7,449,565	4,536,293
Bank owned life insurance	21,545,184	19,090,587
Other real estate owned, net	93,477	122,481
Core Deposit Intangible	542,384	609,488
Goodwill	6,516,169	6,516,169
Other assets	19,731,042	14,704,707
Total assets	1,351,356,379	1,242,623,252
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	$ 533,748,768	$ 515,401,003
Interest-bearing	564,694,751	604,487,606
Total deposits	1,098,443,519	1,119,888,609
Interest payable	436,922	105,667
Other borrowings	18,500,380	19,377,719
Note payable to Trust	-	10,310,000
Allowance for credit losses on off-balance sheet credit exposures	755,741	-
Accrued expenses and other liabilities	6,117,883	4,996,603
Total liabilities	1,124,254,445	1,154,678,598
Stockholders' equity		
Preferred stock, par value of $0.01. Authorized 250,000 shares; 123,750 and 0 shares issued, in 2023 and 2022, respectively	123,750,000	-
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,831,378 and 3,817,203 issued; 3,605,296 and 3,590,593 shares outstanding in 2023 and 2022, respectively	38,314	38,172
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	35,267,710	34,515,543
Retained earnings	109,400,060	86,506,876
Accumulated other comprehensive loss net of tax	(33,585,997)	(25,418,852)
	234,870,087	95,641,739
Less 198,537 and 188,537 treasury shares, at cost, in 2023 and 2022, respectively	5,742,944	5,395,444
Less unvested restricted stock and unallocated ESOP shares (83,616 and 100,505, respectively)	2,025,209	2,301,641
Total stockholders' equity	227,101,934	87,944,654
Total liabilities and stockholders' equity	$ 1,351,356,379	$ 1,242,623,252

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest income				
Interest and fees on loans	$ 11,896,425	$ 8,883,129	$ 23,055,218	$ 17,063,682
Interest on investment securities				
Taxable securities	2,202,029	1,158,626	4,502,108	2,091,247
Nontaxable securities	226,514	250,429	466,726	488,084
Total investment income	2,428,543	1,409,055	4,968,834	2,579,331
Other interest income	1,629,814	243,268	3,167,187	290,639
Total interest income	15,954,782	10,535,452	31,191,239	19,933,652
Interest expense				
Interest on deposits	1,506,690	719,766	2,552,628	1,429,973
Interest on other borrowed funds	99,183	160,409	197,749	308,605
Total interest expense	1,605,873	880,175	2,750,377	1,738,578
Net interest income	14,348,910	9,655,277	28,440,861	18,195,074
Provision for credit losses	220,000	583,753	491,372	914,326
Net interest income after provision for credit losses	14,128,910	9,071,524	27,949,489	17,280,748
Noninterest income				
Service charges and fees	1,625,542	1,630,607	3,191,043	3,200,883
CDFI award income	717,900	701,530	717,900	823,786
New market tax credit sub-allocation and placement fees	432,500	680,000	1,132,500	1,088,333
Consulting and asset management fees	90,000	143,750	90,000	143,750
Investment securities gains (losses), net	(48,206)	-	(48,206)	-
Mortgage loan and related fees	39,384	109,588	56,634	273,583
Other	850,372	1,848,943	1,530,158	2,459,449
Total noninterest income	3,707,492	5,114,418	6,670,029	7,989,784
Noninterest expense				
Salaries and benefits	4,625,601	4,207,804	9,046,625	8,250,174
Net occupancy expense	822,411	848,933	1,672,277	1,643,150
Other	3,093,849	2,712,586	5,908,624	5,326,172
Total noninterest expense	8,541,861	7,769,323	16,627,526	15,219,496
Earnings before income tax expense	9,294,541	6,416,619	17,991,991	10,051,035
Income tax expense	2,014,765	1,435,699	3,986,265	2,193,518
Net earnings	7,279,776	4,980,920	14,005,726	7,857,517
Net earnings available to common shareholders	$ 7,279,776	$ 4,980,920	$ 14,005,726	$ 7,857,517
Basic earnings per common share	$ 2.02	$ 1.36	$ 3.88	$ 2.11
Basic weighted-average shares outstanding	3,608,872	3,673,743	3,607,150	3,720,375
Diluted earnings per common share	$ 2.02	$ 1.36	$ 3.88	$ 2.11
Diluted weighted-average shares outstanding	3,608,872	3,673,743	3,607,150	3,720,375
Cash dividend declared per share	$ 0.25	$ 0.18	$ 0.25	$ 0.18

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
Equity					
Tier One Leverage	19.17%	18.80%	18.00%	17.44%	9.72%
Tier One Capital	24.94%	24.62%	25.70%	27.38%	13.66%
Equity to Total Assets	16.83%	16.82%	15.15%	15.25%	7.08%
At Month End					
Loans, held for investment	789,361,753	762,994,776	722,515,490	695,583,417	686,019,945
Total Deposits	1,098,443,519	1,081,942,914	1,169,037,804	1,115,792,227	1,119,888,609
Total Assets	1,353,208,005	1,331,122,877	1,408,431,642	1,349,301,150	1,242,702,220
Earnings & Performance Ratios					
Net Income	7,279,776	6,725,951	5,155,584	5,672,607	4,980,920
Net Interest Margin	4.61%	4.60%	4.23%	3.65%	3.58%
Return on Average Equity	12.90%	12.55%	9.84%	10.75%	21.78%
Return on Average Assets	2.02%	2.06%	1.52%	1.66%	1.66%
Earnings per Share	2.02	1.87	1.43	1.58	1.36
Weighted Avg Shares Outstanding	3,608,872	3,605,410	3,593,303	3,592,562	3,673,743

United Bank

Quarterly Comparison

	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
At Month End					
Loans, held for investment	726,393,493	698,356,858	656,482,556	631,893,441	624,435,580
Total Deposits	1,016,585,707	986,934,168	1,071,693,386	1,106,250,973	1,012,316,522
Total Assets	1,146,972,429	1,114,607,404	1,187,676,213	1,196,213,103	1,108,583,608
Earnings					
Net Income	5,845,529	5,129,018	4,025,483	4,366,371	3,442,883
Net Interest Margin	4.56%	4.57%	4.17%	3.62%	3.45%
Equity					
Tier One Leverage	12.23%	11.83%	10.77%	8.73%	9.04%
Tier One Capital	15.89%	15.65%	16.30%	13.42%	12.60%
Equity to Total Assets	9.50%	9.49%	8.12%	5.88%	6.85%
Cost of Funds					
United Bank Cost of Funds	0.48%	0.33%	0.29%	0.28%	0.29%
AL Banks Peers Cost of Funds	n/a	1.00%	0.68%	0.40%	0.28%

TCUB
Town-Country United Bank

Quarterly Comparison

	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
At Month End					
Loans, held for investment	64,810,439	66,480,097	67,875,113	65,532,155	63,426,544
Total Deposits	97,061,244	101,465,175	105,168,675	107,744,489	114,086,848
Total Assets	123,545,541	127,701,175	130,092,207	123,822,807	129,397,815
Earnings					
Net Income	494,633	552,865	367,024	549,336	509,024
Net Interest Margin	4.87%	4.91%	5.00%	5.13%	4.75%
Equity					
Tier One Leverage*	20.22%	19.36%	19.29%	10.70%	10.05%
Equity to Total Assets	20.73%	19.88%	18.83%	11.05%	11.51%

* Elected CBLR.