

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, 2023.

United Bancorporation of Alabama, Inc. ("United") reported net income of \$21.2 million for the nine months ended September 30, 2023, compared to net income of \$13.5 million for the same period last year. Earnings per share for the six-month period were \$5.88 compared to \$3.68 for the same period in 2022. United also reported \$7.1 million in net income for the three months ended September 30, 2023, compared to \$5.6 million for the same period in 2022. Earnings per share for the third quarter in 2023 were \$1.99 as compared to \$1.58 for the same period last year.

Balance Sheet

United reported total assets of \$1.3 billion on September 30, 2023, as compared to \$1.3 billion on September 30, 2022, an increase of \$13.3 million or 1.0%.

Cash and short term investments totaled \$174.8 million at the end of September, which is \$101.2 million or 36.7% less than a year ago. The decrease is attributed primarily to the \$112.0 million in year-over-year loan growth. Cash and cash equivalents to total assets ratio is 12.8%.

Year-over-year the securities portfolio decreased \$3.8 million or 1.2%. Securities account for 22.7% of total assets.

Total loans held for investment as of September 30, 2023, were \$807.7 million compared to \$695.6 million as of September 30, 2022, representing an increase of \$112.1 million or 16.1%. Growth was fueled by municipal, commercial and real-estate lending.

As of September 30, 2023, United's Allowance for Credit Losses (ACL) was \$12.5 million and the allowance to loans coverage ratio was 1.5% for consolidated entities. United's ACL for held-to-maturity (HTM) debt securities was \$4,678.

Deposits totaled \$1.08 billion as of September 30, 2023, compared to \$1.12 billion for the same period the prior year, a decrease of \$27.1 million or 2.4%. Year-over-year non-interest bearing increased slightly to \$525.7 million. Interest bearing deposits declined \$28.3 million or 4.8%. Borrowings from the USDA Community Facility Relending program increased \$20.0 million, partially offsetting the declining interest bearing balances. The USDA borrowings have an interest rate of 2.4%.

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 were \$585,586 or 12.4% more in September 2023 than the prior year due to accrued expenses related to salary and credit cards.

Operating Results

Year-to-date through September 30, 2023 net interest income before the provision was \$43.4 million compared to \$29.8 million a year ago, an increase of \$13.6 million or 45.4%. Year-to-date interest and fees on loans increased \$9.4 million and securities income increased \$2.9 million over the same period last year. Similarly, income from interest-bearing deposits increased \$3.3 million to \$4.8 million at the end of the third quarter 2023. Interest expense

increased \$2.0 million or 75.8% over the same period last year. The result being 4.63% net interest margin for the nine months ended September 30, 2023.

For the quarter ended September 30, 2023, net income was \$7.1 million as compared to \$5.7 million an increase of \$1.5 million or 26.0%. United's net interest margin for the three month period was 4.7% as compared to 4.6% for the previous quarter, and 3.7% for the same quarter last year. The yield on earning assets for the third quarter 2023 was 5.3% as compared to the prior quarter of 5.1% and third quarter 2022 of 4.0%. When comparing third quarter 2023 to third quarter 2022 the yield on interest bearing liabilities rose 76 bps to 1.4%. For the same quarterly comparison, the cost of funds increased 39 bps to 72 bps in the third quarter of 2023.

The provision for credit losses for the nine months ended September 30, 2023, was \$866,372 compared to \$1,367,566 for same period last year. For the three months ended September 30, 2023 the provision for credit losses was \$375,000 versus \$453,240 for the same period in 2022.

Non-interest income for the first nine months of 2023 was \$9.9 million as compared to \$11.6 million for the first nine months of 2022. During the second quarter of 2022, United received \$1.2 million from the unwind of its first New Market Tax Credit ("NMTC") loan pool transaction. Non-interest income for the three months ended September 30, 2023, was \$3.3 million compared to \$3.6 million for the same period last year. United received a Financial Assistance (FA) award of \$717,900 from the CDFI Fund in June 2023 and \$701,530 in June 2022.

The CDFI Fund recently announced both NMTC and Capital Magnet Fund ("CMF") awards, of which UB Community Development received \$60 million in NMTC allocation and United Bank received \$9 million for CMF.

For the nine months ended September 30, 2023 non-interest expense was \$25.3 million as compared to \$22.7 million for the same period last year, an increase of \$2.5 million or 11.3%. Non-interest expense for the three months ended September 30, 2023, was \$8.6 million compared to \$7.5 million for the same period last year, an increase of \$1.1 million or 15.5%. Salaries and benefits and technology expense were the leading drivers of the increase.

Credit Quality

Credit quality increased slightly since the prior quarter. As of September 30, 2023, nonaccrual loans and non-performing loans both totaled \$7.2 million.

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 September 30, 2023, the accumulated other comprehensive loss was \$40.5 million, an increase of \$3.3 million from September 2022.

During the quarter, United purchased 75,000 shares under its stock repurchase program.

Unrealized gains and losses are not included in regulatory capital calculations. As of September 30, 2023, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 19.19%, 25.05% and 16.49%.

UB's tier one leverage ratio, tier one capital ratio and equity to assets were 12.33%, 16.16% and 9.35%, respectively. TCUB elected the Community Bank Leverage Ratio (CBLR) and its tier one leverage ratio and equity to assets were 21.08% and 20.15%, respectively.

United will host a conference call on November 8, 2023, at 10:00 am (CST) to discuss third quarter 2023 performance. To join the conference call by computer:

<https://zoom.us>

Meeting ID: 820 0199 7171

Passcode: 004805

To join the conference call by phone:

(301) 715-8592 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. 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.

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)**

	<u>September 30 2023</u>	<u>September 30 2022</u>
<u>Assets</u>		
Cash and due from banks	\$ 42,768,667	\$ 41,464,081
Interest-bearing deposits in banks	117,688,026	226,233,326
Federal funds sold	14,300,000	8,284,086
Cash and short term investments	174,756,693	275,981,493
Investment in subsidiaries	1,739,018	2,046,408
Securities available for sale, at fair value (amortized cost of \$357,697,262 and \$352,422,599 at September 30, 2023 and 2022, respectively)	303,652,280	302,811,568
Securities held to maturity, net of allowance for credit losses of \$4,678 (fair value of \$4,813,301 and \$9,502,921 at September 30, 2023 and 2022, respectively)	4,973,862	9,693,560
	308,626,142	312,505,128
Restricted equity securities, at cost	2,121,353	1,735,953
Loans held for sale	-	380,000
Loans held for investment	807,722,236	695,583,417
Less: Allowance for credit losses	12,457,095	11,726,097
Loans, net	795,265,141	683,857,320
NMTC Sub-CDE QLICI Loans	3,500,000	3,500,000
Premises and equipment, net	15,662,389	16,002,717
Interest receivable	7,483,667	5,407,198
Bank owned life insurance	22,366,038	18,808,607
Other real estate owned, net	-	30,000
Core Deposit Intangible	525,608	592,712
Goodwill	6,516,169	6,516,169
Other assets	22,304,331	20,126,503
	1,360,866,549	1,347,490,208
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Non-interest bearing	\$ 525,733,500	\$ 524,484,451
Interest-bearing	562,990,614	591,307,776
Total deposits	1,088,724,114	1,115,792,226
Interest payable	582,507	137,311
Other borrowings	41,123,942	21,133,192
Note payable to Trust	-	-
Allowance for credit losses on off-balance sheet credit exposures	755,741	-
Accrued expenses and other liabilities	5,310,116	4,724,530
	1,136,496,421	1,141,787,259
Stockholders' equity		
Preferred stock, par value of \$0.01. Authorized 250,000 shares; 123,750 and 123,750 shares issued, in 2023 and 2022, respectively	123,750,000	123,750,000
Class A common stock, par value \$0.01. Authorized 5,000,000 shares; 3,833,777 and 3,819,684 issued; 3,532,695 and 3,593,074 shares outstanding in 2023 and 2022, respectively	38,338	38,197
Class B common stock, par value \$0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	35,359,447	34,581,141
Retained earnings	116,546,656	92,203,549
Accumulated other comprehensive loss net of tax	(40,533,735)	(37,208,272)
	235,160,706	213,364,615
Less 273,537 and 188,537 treasury shares, at cost, in 2023 and 2022, respectively	8,810,444	5,395,444
Less unvested restricted stock and unallocated ESOP shares (83,616 and 100,505, respectively)	1,980,134	2,266,222
	224,370,128	205,702,949
Total stockholders' equity	224,370,128	205,702,949
Total liabilities and stockholders' equity	\$ 1,360,866,549	\$ 1,347,490,208

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Interest income				
Interest and fees on loans	\$ 12,971,361	\$ 9,592,383	\$ 36,026,579	\$ 26,643,087
Interest on investment securities				
Taxable securities	2,165,143	1,568,507	6,667,252	3,659,754
Nontaxable securities	226,130	256,019	692,857	744,104
Total investment income	2,391,273	1,824,526	7,360,109	4,403,858
Other interest income	1,643,390	1,244,305	4,810,574	1,528,951
Total interest income	<u>17,006,024</u>	<u>12,661,214</u>	<u>48,197,263</u>	<u>32,575,896</u>
Interest expense				
Interest on deposits	1,921,201	761,012	4,473,829	2,190,985
Interest on other borrowed funds	97,770	231,976	295,519	521,610
Total interest expense	<u>2,018,971</u>	<u>992,988</u>	<u>4,769,348</u>	<u>2,712,595</u>
Net interest income	14,987,053	11,668,226	43,427,915	29,863,301
Provision for credit losses	375,000	453,240	866,372	1,367,566
Net interest income after provision for credit losses	<u>14,612,053</u>	<u>11,214,986</u>	<u>42,561,543</u>	<u>28,495,735</u>
Noninterest income				
Service charges and fees	1,680,343	1,646,998	4,871,386	4,847,881
CDFI award income	-	170,699	717,900	994,485
New market tax credit sub-allocation and placement fees	799,445	965,000	1,931,945	2,053,333
Consulting and asset management fees	16,200	-	119,745	143,750
Investment securities gains (losses), net	-	-	(48,206)	-
Mortgage loan and related fees	28,526	85,229	85,161	358,812
Other	738,727	733,533	2,287,441	3,193,879
Total noninterest income	<u>3,263,241</u>	<u>3,601,459</u>	<u>9,965,372</u>	<u>11,592,140</u>
Noninterest expense				
Salaries and benefits	4,587,140	4,213,385	13,633,766	12,463,559
Net occupancy expense	839,778	896,010	2,512,054	2,539,160
Other	3,206,585	2,368,336	9,116,303	7,696,405
Total noninterest expense	<u>8,633,503</u>	<u>7,477,731</u>	<u>25,262,123</u>	<u>22,699,124</u>
Earnings before income tax expense	9,241,792	7,338,714	27,264,793	17,388,750
Income tax expense	2,095,196	1,666,107	6,112,471	3,859,625
Net earnings	<u>7,146,596</u>	<u>5,672,607</u>	<u>21,152,322</u>	<u>13,529,125</u>
Net earnings available to common shareholders	<u>\$ 7,146,596</u>	<u>\$ 5,672,607</u>	<u>\$ 21,152,322</u>	<u>\$ 13,529,125</u>
Basic earnings per common share	\$ 1.99	\$ 1.58	\$ 5.88	\$ 3.68
Basic weighted-average shares outstanding	3,583,339	3,592,562	3,599,126	3,677,303
Diluted earnings per common share	\$ 1.99	\$ 1.58	\$ 5.88	\$ 3.68
Diluted weighted-average shares outstanding	3,583,339	3,592,562	3,599,126	3,677,303
Cash dividend declared per share	\$ -	\$ -	\$ 0.25	\$ 0.18

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Equity					
Tier One Leverage	19.19%	19.17%	18.80%	18.00%	17.44%
Tier One Capital	25.05%	24.94%	24.62%	25.70%	27.38%
Equity to Total Assets	16.53%	16.83%	16.82%	15.15%	15.25%
At Month End					
Loans, held for investment	807,722,236	789,361,753	762,994,776	722,515,490	695,583,417
Total Deposits	1,088,724,114	1,098,443,519	1,081,942,914	1,169,037,804	1,115,792,227
Total Assets	1,360,866,549	1,353,208,005	1,331,122,877	1,408,431,642	1,349,301,150
Earnings & Performance Ratios					
Net Income	7,146,596	7,279,776	6,725,951	5,155,584	5,672,607
Net Interest Margin	4.69%	4.61%	4.60%	4.23%	3.65%
Return on Average Equity	12.41%	12.90%	12.55%	9.84%	10.75%
Return on Average Assets	2.10%	2.02%	2.06%	1.52%	1.66%
Earnings per Share	1.99	2.02	1.87	1.43	1.58
Weighted Avg Shares Outstanding	3,583,339	3,608,872	3,605,410	3,593,303	3,592,562

United Bank

Quarterly Comparison

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
At Month End					
Loans, held for investment	746,521,165	726,393,493	698,356,858	656,482,556	631,893,441
Total Deposits	1,010,214,559	1,016,585,707	986,934,168	1,071,693,386	1,106,250,973
Total Assets	1,162,267,868	1,146,972,429	1,114,607,404	1,187,676,213	1,196,213,103
Earnings					
Net Income	5,680,457	5,845,529	5,129,018	4,025,483	4,366,371
Net Interest Margin	4.63%	4.56%	4.57%	4.17%	3.62%
Equity					
Tier One Leverage	12.33%	12.23%	11.83%	10.77%	8.73%
Tier One Capital	16.16%	15.89%	15.65%	16.30%	13.42%
Equity to Total Assets	9.35%	9.50%	9.49%	8.12%	5.88%
Cost of Funds					
United Bank Cost of Funds	0.59%	0.48%	0.33%	0.29%	0.28%
AL Banks Peers Cost of Funds	n/a	1.34%	1.00%	0.68%	0.40%



Quarterly Comparison

	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
At Month End					
Loans, held for investment	63,043,250	64,810,439	66,480,097	67,875,113	65,532,155
Total Deposits	105,958,188	97,061,244	101,465,175	105,168,675	107,744,489
Total Assets	124,528,831	123,545,541	127,701,175	130,092,207	123,822,807
Earnings					
Net Income	406,281	494,633	552,865	367,024	549,336
Net Interest Margin	4.97%	4.87%	4.91%	5.00%	5.13%
Equity					
Tier One Leverage*	21.08%	20.22%	19.36%	19.29%	10.70%
Equity to Total Assets	20.15%	20.73%	19.88%	18.83%	11.05%

* Elected CBLR.