

United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Fourth 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 fourth quarter ended December 31, 2023.

United Bancorporation of Alabama, Inc. ("United") reported net income of \$31.5 million for the twelve months ended December 31, 2023, compared to net income of \$18.6 million for the same period last year. Earnings per share for the twelve month period was \$8.69 compared to \$5.11 for the same period in 2022. United also reported \$10.4 million in net income for the three months ended December 31, 2023, compared to \$5.2 million for the same period in 2022. Earnings per share for the fourth quarter in 2023 was \$2.95 as compared to \$1.43 for the same period last year.

A semiannual dividend of \$0.35 per share was declared for stockholders of record on December 31, 2023 and paid on January 22, 2024.

Balance Sheet

United total assets of \$1.4 billion on December 31, 2023 remained relatively unchanged from the prior year.

Cash and short term investments totaled \$236.4 million, which is an increase of \$61.6 million from the previous quarter, but \$44.2 million or 15.8% less than a year ago. The year-over-year decline is credited to a temporary increase in deposits in the fourth quarter of 2022. Cash and cash equivalents to total assets ratio is 17.01%.

UB repositioned its securities portfolio, selling \$77.6 million in bonds during the quarter for a loss of \$6.8 million. UB intends to reinvest at higher yielding assets. Year-over-year the securities portfolio decreased \$66.4 million or 19.7%. Securities account for 19.5% of total assets.

Total loans held for sale as of December 31, 2023, were \$811.9 million compared to \$722.5 million as of December 31, 2022, representing an increase of \$89.4 million or 12.4%. Growth was fueled by commercial and real-estate lending.

As of December 31, 2023, the allowance for credit losses (ACL) was \$11.6 million. Despite elevated charged off loans of \$1.4 million, the allowance to loans coverage ratio was a healthy 1.4%. United's ACL for held-to-maturity (HTM) debt securities was \$4,678.

United reclassified \$1.1 million in property to other real estate thereby reducing net premises and equipment \$2.7 million. An investment receivable of \$3.0 million increased other assets by \$2.3 million year-over-year.

Deposits totaled \$1.09 billion as of December 31, 2023, compared to \$1.2 billion for the same period the prior year, a decrease of \$79.1 million or 6.8%. In 2022, a short-term non-interest bearing deposit boosted the balance sheet at year end, causing a year-over-year decrease of \$68.7 million or 11.8%. Without the short term deposit, non-interest bearing deposits were flat. Interest bearing deposits declined \$10.3 million or 6.8%. Borrowings from the USDA Community Facility Relending program increased \$22.5 million, offsetting the decline in interest bearing balances. The USDA borrowings interest rate is 2.4%.

The newly created ACL off balance sheet credit exposure totaled \$909,341 at the end of the year. Accrued expenses and liabilities were \$2.5 million or 39.1% more than the prior year due to increases in accounts payable and accrued expenses.

Operating Results

Year-to-date through December 31, 2023 net interest income before the provision was \$58.8 million compared to \$43.4 million a year ago, an increase of \$15.3 million or 35.4%. Year-to-date interest and fees on loans increased \$12.2 million and securities income increased \$3.1 million over the same period last year. Similarly, income from interest-bearing deposits increased \$3.8 million year-over-year.

Earning asset yield increased year-over-year 1.21% to 5.22% for 2023. Interest expense increased \$3.7 million or 102.0% over the same period last year. The yield on interest-bearing liabilities increased 65 bps year-over-year to 1.25% for 2023. The cost of funds for 2023 was 67 bps as compared to 33 bps for 2022. The result being 4.65% net interest margin for the twelve months ended December 31, 2023.

For the quarter ended December 31, 2023, net interest income before the provision was \$15.3 million as compared to \$13.5 million, an increase of \$1.8 million or 13.55%. Quarter-to-date interest and fees on loans increased \$2.8 million or 27.0% over the same period last year. Interest expense increased \$1.6 million or 159.2% to \$2.7 million over the fourth quarter 2022.

United's net interest margin for the last three months of 2023 was 4.68% as compared to 4.23% for the same quarter in 2022. The yield on earning assets for the fourth quarter 2023 was 5.47% as compared to the fourth quarter 2022 of 4.54%. When comparing fourth quarter 2023 and 2022, the yield on interest bearing liabilities rose 108 bps to 1.74%. For the same quarterly comparison, the cost of funds increased 58 bps to 93 bps.

The provision for credit losses for the twelve months ended December 31, 2023, was \$1.1 million compared to \$2.0 million for same period last year. For the three months ended December 31, 2023 the provision for credit losses was \$252,837 versus \$683,450 for the same period in 2022.

Non-interest income for 2023 was \$21.0 million as compared to \$14.6 million for 2022. The CDFI award income of \$15.1 million was partially offset by securities losses of \$6.8 million. Non-interest income for the fourth quarter was \$11.1 million compared to \$3.1 million for the same period in the prior year. During the quarter, United received CDFI award income of \$14.4 million, which consisted of \$9 million Capital Magnet Fund (CMF), \$4.9 million Equitable Recovery Program (ERP) and \$451,025 Bank Enterprise Award (BEA). Other income includes fee income of \$303,688 from the successful exist of an NMTC loan fund.

For the twelve months ended December 31, 2023 non-interest expense was \$37.7 million as compared to \$31.9 million for the same period last year, an increase of \$5.7 million or 17.95%. Non-interest expense for the three months ended December 31, 2023, was \$12.5 million compared to \$9.3 million for the same period last year, an increase of \$3.1 million or 34.0%. Salaries and benefits and technology expense were the leading drivers of the increase.

Credit Quality

As of December 31, 2023, nonaccrual and non-performing loans declined from \$7.2 million to \$2.2 million and \$3.8 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 December 31, 2023, the accumulated other comprehensive loss was \$25.8 million, a decrease of \$9.5 million from December 2022.

During the quarter, United purchased 7,500 shares under its stock repurchase program.

Unrealized gains and losses are not included in regulatory capital calculations. As of December 31, 2023, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 18.84%, 25.75% and 17.96%.

UB's tier one leverage ratio, tier one capital ratio and equity to assets were 12.48%, 17.19%, and 11.13%, respectively. TCUB elected the Community Bank Leverage Ratio (CBLR) and its tier one leverage ratio and equity to assets were 19.78% and 21.61%, respectively.

United will host a conference call on February 7, 2024, at 10:00 am (CST) to discuss fourth quarter 2023 performance. To join the conference call by computer:

https://unitedbank.zoom.us/webinar/register/WN_lIr79poUToGxJUKj8ZICFA

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About United Bancorporation of Alabama, Inc.

United Bancorporation of Alabama, Inc. (OTCQX: UBAB) is a \$1.4 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)**

	December 31 2023	December 31 2022
	Unaudited	Audited
<u>Assets</u>		
Cash and due from banks	\$ 45,450,436	\$ 43,476,905
Interest-bearing deposits in banks	175,406,200	225,621,463
Federal funds sold	15,550,000	11,584,193
Cash and short term investments	236,406,636	280,682,561
Investment in subsidiaries	1,594,034	2,104,039
Securities available for sale, at fair value (amortized cost of \$300,498,373 and \$375,665,760 at December 31, 2023 and 2022, respectively)	266,052,697	328,610,919
Securities held to maturity, net of allowance for credit losses of \$3,915 (fair value of \$4,776,157 and \$8,583,391 at December 31, 2023 and 2022, respectively)	4,796,239	8,684,231
	270,848,936	337,295,150
Restricted equity securities, at cost	2,121,353	1,746,353
Loans held for sale	-	-
Loans held for investment	811,947,933	722,515,490
Less: Allowance for credit losses	11,628,356	12,104,774
Loans, net	800,319,577	710,410,716
NMTC Sub-CDE QLICI Loans	3,500,000	3,500,000
Premises and equipment, net	14,157,342	16,947,680
Interest receivable	8,266,818	6,257,567
Bank owned life insurance	22,528,245	21,261,627
Other real estate owned, net	1,100,000	-
Core Deposit Intangible	508,832	575,936
Goodwill	6,516,169	6,516,169
Other assets	22,257,824	19,938,818
	1,390,125,766	1,407,236,616
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Non-interest bearing	\$ 513,824,978	\$ 582,600,867
Interest-bearing	576,092,609	586,436,937
Total deposits	1,089,917,587	1,169,037,804
Interest payable	788,250	176,652
Other borrowings	40,792,438	18,939,069
Note payable to Trust	-	-
Allowance for credit losses on off-balance sheet credit exposures	909,341	-
Accrued expenses and other liabilities	9,008,264	6,476,307
Total liabilities	1,141,415,880	1,194,629,832
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; 3,536,055 and 3,603,602 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	35,731,789	34,837,882
Retained earnings	125,696,847	96,560,279
Accumulated other comprehensive loss net of tax	(25,834,256)	(35,291,130)
	259,382,718	219,895,228
Less 281,037 and 188,537 treasury shares, at cost, in 2023 and 2022, respectively	9,084,944	5,395,444
Less unvested restricted stock and unallocated ESOP shares (66,256 and 83,615 respectively)	1,587,888	1,893,000
Total stockholders' equity	248,709,886	212,606,784
Total liabilities and stockholders' equity	\$ 1,390,125,766	\$ 1,407,236,616

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Audited
Interest income				
Interest and fees on loans	\$ 13,110,505	\$ 10,323,276	\$ 49,155,914	\$ 36,947,532
Interest on investment securities				
Taxable securities	1,995,665	1,797,166	8,662,918	5,456,920
Nontaxable securities	225,763	258,178	918,620	1,002,281
Total investment income	2,221,428	2,055,344	9,581,538	6,459,201
Other interest income	2,657,531	2,148,430	7,468,104	3,671,385
Total interest income	<u>17,989,464</u>	<u>14,527,050</u>	<u>66,205,556</u>	<u>47,078,118</u>
Interest expense				
Interest on deposits	2,389,179	886,862	6,863,008	3,050,512
Interest on other borrowed funds	268,873	138,748	583,221	635,530
Total interest expense	<u>2,658,052</u>	<u>1,025,610</u>	<u>7,446,229</u>	<u>3,686,042</u>
Net interest income	15,331,412	13,501,440	58,759,326	43,392,076
Provision for credit losses	252,837	683,450	1,119,209	2,051,016
Net interest income after provision for credit losses	<u>15,078,575</u>	<u>12,817,990</u>	<u>57,640,117</u>	<u>41,341,060</u>
Noninterest income				
Service charges and fees	1,730,556	1,618,774	6,601,942	6,448,452
CDFI award income	14,395,028	-	15,112,928	994,485
New market tax credit sub-allocation and placement fees	535,000	540,000	2,466,945	2,593,333
Consulting and asset management fees	131,625	284,700	221,625	428,450
Investment securities gains (losses), net	(6,755,904)	-	(6,804,110)	-
Mortgage loan and related fees	11,286	66,940	107,765	425,752
Other	1,035,730	604,661	3,344,558	3,772,958
Total noninterest income	<u>11,083,321</u>	<u>3,115,075</u>	<u>21,051,653</u>	<u>14,663,430</u>
Noninterest expense				
Salaries and benefits	5,602,517	4,877,098	19,236,281	17,201,457
Net occupancy expense	848,633	1,007,372	3,360,687	3,546,532
Other	6,008,033	3,413,742	15,124,337	11,232,900
Total noninterest expense	<u>12,459,183</u>	<u>9,298,212</u>	<u>37,721,305</u>	<u>31,980,889</u>
Earnings before income tax expense	13,702,714	6,634,853	40,970,464	24,023,602
Income tax expense	3,313,200	1,479,269	9,425,669	5,338,894
Net earnings	<u>10,389,514</u>	<u>5,155,584</u>	<u>31,544,795</u>	<u>18,684,708</u>
Net earnings available to common shareholders	<u>\$ 10,389,514</u>	<u>\$ 5,155,584</u>	<u>\$ 31,544,795</u>	<u>\$ 18,684,708</u>
Basic earnings per common share	\$ 2.95	\$ 1.43	\$ 8.69	\$ 5.11
Basic weighted-average shares outstanding	3,527,632	3,593,303	3,630,843	3,654,605
Diluted earnings per common share	\$ 2.95	\$ 1.43	\$ 8.69	\$ 5.11
Diluted weighted-average shares outstanding	3,527,632	3,593,303	3,630,843	3,654,605
Cash dividend declared per share	<u>\$ 0.35</u>	<u>\$ 0.22</u>	<u>\$ 0.60</u>	<u>\$ 0.40</u>

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
Equity						
Tier One Leverage	18.84%	19.19%	19.17%	18.80%	18.00%	17.44%
Tier One Capital	25.75%	25.05%	24.94%	24.62%	25.70%	27.38%
Equity to Total Assets	17.96%	16.53%	16.83%	16.82%	15.15%	15.25%
At Month End						
Loans, held for investment	811,947,933	807,722,236	789,361,753	762,994,776	722,515,490	695,583,417
Total Deposits	1,089,917,587	1,088,724,114	1,098,443,519	1,081,942,914	1,169,037,804	1,115,792,227
Total Assets	1,390,125,766	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	10,389,514	7,146,596	7,279,776	6,725,951	5,155,584	5,672,607
Net Interest Margin	4.68%	4.69%	4.61%	4.60%	4.23%	3.65%
Return on Average Equity	17.61%	12.41%	12.90%	12.55%	9.84%	10.75%
Return on Average Assets	3.00%	2.10%	2.02%	2.06%	1.52%	1.66%
Earnings per Share	2.95	1.99	2.02	1.87	1.43	1.58
Weighted Avg Shares Outstanding	3,527,632	3,583,339	3,608,872	3,605,410	3,593,303	3,592,562

United Bank

Quarterly Comparison

	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
At Month End						
Loans, held for investment	753,078,200	746,521,165	726,393,493	698,356,858	656,482,556	631,893,441
Total Deposits	1,004,574,709	1,010,214,559	1,016,585,707	986,934,168	1,071,693,386	1,106,250,973
Total Assets	1,179,289,568	1,162,267,868	1,146,972,429	1,114,607,404	1,187,676,213	1,196,213,103
Earnings						
Net Income	8,913,757	5,680,457	5,845,529	5,129,018	4,025,483	4,366,371
Net Interest Margin	4.70%	4.63%	4.56%	4.57%	4.17%	3.62%
Equity						
Tier One Leverage	12.48%	12.33%	12.23%	11.83%	10.77%	8.73%
Tier One Capital	17.19%	16.16%	15.89%	15.65%	16.30%	13.42%
Equity to Total Assets	11.13%	9.35%	9.50%	9.49%	8.12%	5.88%
Cost of Funds						
United Bank Cost of Funds	0.80%	0.59%	0.48%	0.33%	0.29%	0.28%
AL Banks Peers Cost of Funds	n/a	1.62%	1.34%	1.00%	0.68%	0.40%



Quarterly Comparison

	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
At Month End						
Loans, held for investment	60,711,912	63,043,250	64,810,439	66,480,097	67,875,113	65,532,155
Total Deposits	97,423,042	105,958,188	97,061,244	101,465,175	105,168,675	107,744,489
Total Assets	124,943,907	124,528,831	123,545,541	127,701,175	130,092,207	123,822,807
Earnings						
Net Income	263,212	406,281	494,633	552,865	367,024	549,336
Net Interest Margin	4.16%	4.97%	4.87%	4.91%	5.00%	5.13%
Equity						
Tier One Leverage*	19.78%	21.08%	20.22%	19.36%	19.29%	10.70%
Equity to Total Assets	21.61%	20.15%	20.73%	19.88%	18.83%	11.05%

* Elected CBLR.