United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces First 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 first quarter ended March 31, 2024.

United Bancorporation of Alabama, Inc. ("United") reported net income of $6.3 million for the three months ended March 31, 2024, compared to net income of $6.7 million for the same period last year. Earnings per share for the three-month period was $1.75 compared to $1.87 for the same period in 2023.

Balance Sheet

United total assets of $1.4 billion as of March 31, 2024, an increase of $62.7 million or 4.7% from the prior year.

Cash and short-term investments totaled $221.2 million, which is an increase of $60.8 million of 37.9% from the same period last year. Cash and cash equivalents to total assets ratio is 15.87%. Securities totaled $279.8 million at the end of March, a decrease of $63.0 million or 18.4% from the first quarter in 2023.

Total loans held for investment as of March 31, 2024, were $825.3 million compared to $762.9 million as of March 31, 2023, representing an increase of $62.3 million or 8.2%. Growth was fueled by commercial and real-estate lending.

As of March 31, 2024, the allowance for credit losses (ACL) was $11.9 million, which is slightly less than the $12.1 million in the first quarter of 2023. The allowance to loans coverage ratio was 1.45%.

In the fourth quarter 2023, United reclassified $1.1 million in property to other real estate thereby reducing net premises and equipment $2.7 million. Additional bank owned life insurance was purchased in September 2023 contributing to the $1.2 million year-over-year increase. The $1.7 million increase in other assets is attributed to prepaid expenses and accounts receivable related to income taxes.

Deposits totaled $1.09 billion as of March 31, 2024, compared to $1.08 billion for the same period the prior year, an increase of $10.8 million or 1.0%. Other borrowings increased $21.7 million to $40.5 million, due to draws under the USDA Community Facility Relending program. The off-balance sheet allowance for credit exposure totaled $909,341 at the end of the quarter.

Capital

Total stockholder's equity increased $29.3 million to $253.2 million, of which $123.75 million is preferred stock issued under the US Treasury Department's Emergency Capital Investment Program (ECIP).

Elevated interest rates have created an unrealized loss position in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On March 31, 2024, the accumulated other comprehensive loss was $27.7 million, a decrease of $2.8 million from March 2023.

Unrealized gains and losses are not included in regulatory capital calculations. As of March 31, 2024, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 19.16%, 25.97% and 18.17%.

UB's tier one leverage ratio, tier one capital ratio and equity to assets were 12.88%, 17.48%, and 11.38%, respectively. TCUB elected the Community Bank Leverage Ratio (CBLR) and its tier one leverage ratio and equity to assets were 20.33% and 22.05%, respectively.

Operating Results

Year-to-date through March 31, 2024, net interest income before the provision was $14.8 million compared to $14.1 million a year ago, an increase of $728,640 or 5.2%. Year-to-date interest and fees on loans increased $2.2 million and securities income declined by $227,574 over the same period last year. Income from interest-bearing deposits increased $1.1 million year-over-year.

Earning asset yield increased 0.61% to 5.57% in the first quarter 2024 when compared to the first quarter 2023. Interest expense increased $2.3 million or 200.0% over the same period last year. The yield on interest-bearing liabilities increased 1.23% year-over-year to 1.97% in the first quarter of 2024. The cost of funds for the three months ended March 31, 2024, was 1.21% as compared to 0.42% for same period in 2023. Despite the higher cost of funds, the net interest margin of 4.54% remained stable.

The provision for credit losses for the three months ended March 31, 2024, was $290,000 compared to $271,372 for same period last year.

Non-interest income for the first quarter 2024 was $2.5 million as compared to $2.9 million for the same period in 2023. In the first quarter 2023, UBCD closed two New Market Tax Credit (NMTC) transactions earning $700,000 in fee income. No NMTC transactions have been closed year-to-date. Service charges and fees and other income experienced slight year-over-year increases.

For the three months ended March 31, 2024, non-interest expense was $8.9 million as compared to $8.1 million for the same period last year, an increase of $831,984 million or 10.3%. Factors contributing to the increase were salaries and benefits and technology related expense.

Credit Quality

As of March 31, 2024, nonaccrual and non-performing loans were $3.1 million and $6.8 million, respectively. The growth in non-performing loans was caused by modifications to borrowers experiencing financial difficulty.

United will host a conference call on May 8, 2024, at 10:00 am (CST) to discuss first quarter 2024 performance. To register for the conference call:

https://unitedbank.zoom.us/webinar/register/WN_NZm1PyCxRgu3j_cS07rZYQ

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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)

		March 31 2024		March 31 2023
Assets				
Cash and due from banks	$	29,703,468	$	37,254,307
Interest-bearing deposits in banks		174,518,291		111,375,622
Federal funds sold		16,975,000		11,750,000
Cash and short term investments		221,196,759		160,379,929
Investment in subsidiaries		1,625,130		1,973,938
Securities available for sale, at fair value (amortized cost of $311,941,923 and $374,766,278 at March 31, 2024 and 2023, respectively)		275,004,566		334,127,538
Securities held to maturity, at amortized cost (fair value of $4,740,518 and $8,631,318 at March31, 2024 and 2023, respectively)		4,788,948		8,670,587
		279,793,514		342,798,125
Restricted equity securities, at cost		2,113,153		1,849,653
Loans held for investment		825,340,286		762,994,776
Less: Allowance for credit losses		11,927,032		12,115,614
Loans, net		813,413,254		750,879,162
NMTC Sub-CDE QLICI Loans		3,465,000		3,500,000
Premises and equipment, net		14,161,428		16,880,693
Interest receivable		7,852,322		6,548,326
Bank owned life insurance		22,673,335		21,402,839
Other real estate owned, net		1,025,000		90,210
Core deposit intangible		492,056		559,160
Goodwill		6,516,169		6,516,169
Other assets		19,489,931		17,744,673
Total assets		1,393,817,052		1,331,122,877
Liabilities and Stockholders' Equity				
Deposits				
Noninterest-bearing	$	490,585,562	$	516,138,642
Interest-bearing		602,209,221		565,804,272
Total deposits		1,092,794,783		1,081,942,914
Interest payable		956,652		283,482
Other borrowings		40,457,248		18,719,511
Allowance for credit losses on off-balance sheet credit exposures		909,341		625,741
Accrued expenses and other liabilities		5,484,609		5,638,909
Total liabilities		1,140,602,633		1,107,210,557
Stockholders' equity				
Preferred stock, par value of $0.01. Authorized 250,000 shares; 123,750 shares issued, in 2024 and 2023, respectively		123,750,000		123,750,000
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,836,929 and 3,821,913 issued; 3,539,207 and 3,605,831 shares outstanding in 2024 and 2023, respectively		38,369		38,219
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued		-		-
Additional paid in capital		35,858,078		34,919,773
Retained earnings		131,898,889		102,937,301
Accumulated other comprehensive loss net of tax		(27,703,014)		(30,479,053)
		263,842,322		231,166,240
Less 281,037 and 188,573 treasury shares, at cost, in 2024 and 2023, respectively		9,084,944		5,395,444
Less unvested restricted stock and unallocated ESOP shares (66,256 and 83,616 respectively)		1,542,959		1,858,475
Total stockholders' equity		253,214,419		223,912,321
Total liabilities and stockholders' equity	$	1,393,817,052	$	1,331,122,877

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

	Three Months Ended March 31	
	2024	2023
Interest income:		
Interest and fees on loans	$ 13,329,838	$ 11,158,792
Interest on investment securities:		
Taxable securities	2,102,105	2,300,078
Nontaxable securities	210,611	240,212
Total investment income	2,312,716	2,540,290
Other interest income	2,611,627	1,537,374
Total interest income	18,254,181	15,236,456
Interest expense:		
Interest on deposits	2,895,513	1,045,938
Interest on other borrowed funds	538,076	98,566
Total interest expense	3,433,589	1,144,504
Net interest income	14,820,592	14,091,951
Provision for credit losses	290,000	271,372
Net interest income after provision for credit losses	14,530,592	13,820,579
Noninterest income:		
Service charge and fees	1,682,263	1,541,932
CDFI Award income	-	-
New market tax credit sub-allocation and placement fees	-	700,000
Conusulting and asset management fees	-	-
Investment securities gains (losses), net	-	(48,206)
Mortgage loan and related fees	-	17,251
Other	795,523	763,264
Total noninterest income	2,477,786	2,974,241
Noninterest expense:		
Salaries and benefits	4,876,204	4,421,024
Net occupancy expense	800,104	849,866
Other	3,241,341	2,814,775
Total noninterest expense	8,917,649	8,085,665
Earnings before income tax expense	8,090,729	8,709,157
Income tax expense	1,813,608	1,983,206
Net earnings	6,277,121	6,725,951
Net earnings available to common shareholders	$ 6,277,121	$ 6,725,951
Basic earnings per common share	$ 1.75	$ 1.87
Basic weighted-average shares outstanding	3,577,753	3,605,410
Diluted earnings per common share	$ 1.75	$ 1.87
Diluted weighted-average shares outstanding	3,577,753	3,605,410
Cash dividend declared per share	$ -	$ -

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Equity					
Tier One Leverage	19.16%	18.84%	19.19%	19.17%	18.80%
Tier One Capital	25.97%	25.75%	25.05%	24.94%	24.62%
Equity to Total Assets	18.17%	17.96%	16.53%	16.83%	16.82%
At Month End					
Loans, held for investment	825,340,286	811,947,933	807,722,236	789,361,753	762,994,776
Total Deposits	1,092,794,783	1,089,917,587	1,088,724,114	1,098,443,519	1,081,942,914
Total Assets	1,393,817,052	1,390,125,766	1,360,866,549	1,353,208,005	1,331,122,877
Earnings & Performance Ratios					
Net Income	6,277,121	10,389,514	7,146,596	7,279,776	6,725,951
Net Interest Margin	4.54%	4.68%	4.69%	4.61%	4.60%
Return on Average Equity	10.06%	17.61%	12.41%	12.90%	12.55%
Return on Average Assets	1.80%	3.00%	2.10%	2.02%	2.06%
Earnings per Share	1.75	2.95	1.99	2.02	1.87
Weighted Avg Shares Outstanding	3,577,753	3,527,632	3,583,339	3,608,872	3,605,410

United Bank

Quarterly Comparison

	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
At Month End					
Loans, held for investment	769,768,882	753,078,200	746,521,165	726,393,493	698,356,858
Total Deposits	1,009,068,036	1,004,574,709	1,010,214,559	1,016,585,707	986,934,168
Total Assets	1,190,084,370	1,179,289,568	1,162,267,868	1,146,972,429	1,114,607,404
Earnings					
Net Income	5,632,627	8,913,757	5,680,457	5,845,529	5,129,018
Net Interest Margin	4.60%	4.70%	4.63%	4.56%	4.57%
Equity					
Tier One Leverage	12.88%	12.48%	12.33%	12.23%	11.83%
Tier One Capital	17.48%	17.19%	16.16%	15.89%	15.65%
Equity to Total Assets	11.37%	11.13%	9.35%	9.50%	9.49%
Cost of Funds					
United Bank Cost of Funds	0.97%	0.80%	0.59%	0.48%	0.33%
AL Banks Peers Cost of Funds	n/a	1.83%	1.62%	1.34%	1.00%

TCUB
Town-Country United Bank

Quarterly Comparison

	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
At Month End					
Loans, held for investment	57,413,583	60,711,912	63,043,250	64,810,439	66,480,097
Total Deposits	95,099,657	97,423,042	105,958,188	97,061,244	101,465,175
Total Assets	122,880,429	124,943,907	124,528,831	123,545,541	127,701,175
Earnings					
Net Income	281,299	263,212	406,281	494,633	552,865
Net Interest Margin	4.26%	4.16%	4.97%	4.87%	4.91%
Equity					
Tier One Leverage*	20.33%	19.78%	21.08%	20.22%	19.36%
Equity to Total Assets	22.05%	21.61%	20.15%	20.73%	19.88%

* Elected CBLR.