United Bancorporation of Alabama, Inc.

Contact: Leigh Anne Russell Jones
EVP, Chief Financial Officer
(251) 446-6165 /leighanne.jones@unitedbank.com

February 4, 2025

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) and UB Community Development (UBCD) announces its financial results for the fourth quarter ended December 31, 2024.

United Bancorporation of Alabama, Inc. ("United") reported net income of $26.9 million for the twelve months ended December 31, 2024, compared to net income of $31.5 million for the same period last year. Earnings per share for the twelve-month period were $7.65 compared to $8.81 for the same period in 2023. Net income for the three months ended December 31, 2024, was $6.9 million as compared to $10.4 million for the fourth quarter 2023. Earnings per share for the three-month period were $2.00 versus $2.95 for the same period in 2023.

A semiannual dividend of $0.60 per share was declared for stockholders of record on December 31, 2024, and paid on January 16, 2025.

Balance Sheet

United's total assets of $1.4 billion as of December 31, 2024, were an increase of $10.8 million or 0.8% from the prior year.

Cash and short-term investments totaled $182.9 million, which is a decrease of $53.4 million or 22.6% from the same period last year. Cash and cash equivalents to total assets ratio was 13.06%. Securities totaled $268.7 million at the end of December, a decrease of $2.1 million or 0.8% from December 2023. During the fourth quarter, United restructured the securities portfolio by selling $52.0 million in bonds with a $3.0 million loss and reinvesting in higher yielding securities.

Total loans held for investment as of December 31, 2024, were $871.4 million compared to $811.9 million as of December 31, 2023, representing an increase of $59.5 million or 7.3%. Growth was led by multifamily construction.

The allowance for credit losses (ACL) of $12.4 million was $754,219 more than the prior year. The current allowance to loans coverage ratio was 1.42%.

Other real estate of $2.8 million increased by $1.7 million over the previous year and includes three bank owned properties and three foreclosed loans. Bank owned life insurance increased by $2.4 million or 10.8% from the previous year to $24.9 million.

Year-end deposits for 2023 and 2024 were $1.09 billion. Other borrowings of $33.9 million were $6.8 million or 16.7% less than the prior year. Prepayment of loans UB loans made under the USDA Community Facility program triggered the repayment of $5.5 million to the USDA.

Capital

Year-over-year, total stockholder's equity increased $17.0 million to $265.7 million. This includes $123.75 million of preferred stock issued under the US Treasury Department's Emergency Capital Investment Program (ECIP). United made a quarterly ECIP preferred dividend payment of $618,750.

On November 15, 2024, UBAB repurchased all the shares held by the United Bancorporation of Alabama, Inc. 401(k) Employee Stock Ownership Plan ("ESOP"). The purchase price was $54.25 per share for a total transaction cost of $10.7 million, which decreased stockholders' equity. The shares were recorded as authorized and unissued shares and not treasury stock. Additionally, the existing 281,974 shares of treasury stock were also reclassified to authorized and unissued shares.

Elevated interest rates have created an unrealized loss position in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On December 31, 2024, the accumulated other comprehensive loss was $25.6 million, a decrease of $203,768 or 0.8% from December 2023.

Unrealized gains and losses are not included in regulatory capital calculations. As of December 31, 2024, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 19.95%, 28.02% and 18.97%.

Operating Results

Year-to-date through December 31, 2024, net interest income before the provision was $59.4 million compared to $58.8 million a year ago, an increase of $704,193 or 1.2%. Year-to-date interest and fees on loans and income from interest-bearing deposits increased $6.2 million and $1.2 million, respectively, over the same period last year. Year-over-year interest expense grew by almost $6.9 million or 92.7% to $14.3 million.

Year to date earning asset yield was 5.69%, the yield on interest-bearing liabilities was 2.24%, and cost of funds was 1.28%. For the year ended December 31, 2023, earning asset yield was 5.22%, interest bearing liabilities yield was 1.25%, and the cost of funds was 0.67%. Despite the substantially higher cost of funds, the year-to-date net interest margin of 4.60% is 0.05% less than the same period last year.

For the fourth quarter of 2024, net interest income before the provision was $14.9 million, which was $449,364 or 2.9% less than the fourth quarter 2023. Interest and fees on loans was $1.3 million and interest-bearing income was $899,122 less in the fourth quarter 2024 as compared to the same quarter in 2023. Interest expense was $3.8 million, an increase of $1.2 million or 43.7% over the fourth quarter of 2023.

The fourth quarter 2024 earning asset yield was 5.75%, which is 0.28% more than fourth quarter 2023. For the same comparison period, interest bearing liabilities increased by 0.62% to 2.36%. For the fourth quarter, the cost of funds was 1.36%, which is unchanged from the prior quarter and 0.43% higher than fourth quarter 2023. Net interest margin for the fourth quarter 2024 was 4.60%, which is 0.08% less than the margin in the fourth quarter 2023.

In the fourth quarter of 2024, $1.9 million was added to the provision for credit losses, which partially offset $1.7 million in charged off loans. The year-to-date provision of $4.4 million is $3.2 million more than in 2023.

2024 non-interest income was $23.9 million as compared to $21.0 million in 2023. The $2.9 million year-over-year increase contains $2.4 million in revenue from the unwind of a NMTC transaction and $1.4 million debit card conversion incentive bonus. Year-to-date service charges and fees were $1.1 million or 17.3% more in 2024 than the previous year.

During the fourth quarter United recognized $10.3 million in CDFI award income ($9 million in Capital Magnet Fund and $1.3 million in Financial Assistance). This is $4.0 million less than the same quarter in 2023 due to the receipt of the one-time Equitable Recovery Program (ERP) award of $4.9 million.

For the twelve months ended December 31, 2024, non-interest expense was $42.9 million as compared to $37.7 million for the same period last year, an increase of $5.2 million or 13.9%. In the fourth quarter 2024, United recorded $2.4 million in compensation expense because of the 401(k) ESOP unwind along with deconversion expense of $295,112.

Credit Quality

As of December 31, 2024, nonaccrual, non-performing loans and modifications to borrowers experiencing financial difficulty were $12.5 million, $17.2 million and $719,575, respectively. Nonaccrual and non-performing loans decreased by $2.2 million and $1.8 million, respectively from the prior quarter. However, year-over-year nonaccrual loans increased by $10.4 million and non-performing assets by $13.9 million. Three relationships represent over 77% of nonaccrual loans.

United will host a conference call on February 5, 2024, at 10:00 am (CST) to discuss fourth quarter 2024 performance. To register for the conference call:

https://unitedbank.zoom.us/webinar/register/WN_iriD99U_Sj2fshj160o12A

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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 United Bank and UB Community Development. United Bank is also designated as a CDFI and operates 23 locations across six 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, Camden, 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 2024 Unaudited	December 31 2023 Audited
Assets		
Cash and due from banks	$ 30,386,789	$ 45,450,436
Interest-bearing deposits in banks	126,007,446	175,406,200
Federal funds sold	26,575,000	15,550,000
Cash and short term investments	182,969,235	236,406,636
Investment in subsidiaries	1,247,403	1,724,474
Securities available for sale, at fair value (amortized cost of $298,725,865 and $300,498,374 at December 31, 2024 and 2023, respectively)	264,551,872	266,052,697
Securities held to maturity, at amortized cost (fair value of $4,144,827 and $4,776,158 at December 31, 2024 and 2023, respectively)	4,183,929	4,796,239
	268,735,801	270,848,936
Restricted equity securities, at cost	2,115,953	2,121,353
Loans held for sale	-	-
Loans held for investment	871,416,223	811,947,933
Less: Allowance for credit losses	12,382,575	11,628,356
Loans, net	859,033,648	800,319,577
NMTC Sub-CDE QLICI Loans	3,465,000	3,465,000
Premises and equipment, net	16,743,564	13,839,180
Interest receivable	9,144,905	8,267,365
Bank owned life insurance	24,967,214	22,528,245
Other real estate owned, net	2,841,465	1,100,000
Core deposit intangible	441,728	508,832
Goodwill	6,516,169	6,516,169
Other assets	22,518,010	22,341,253
Total assets	1,400,740,095	1,389,987,020
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 473,909,914	$ 513,760,135
Interest-bearing	616,267,643	576,092,609
Total deposits	1,090,177,557	1,089,852,744
Interest payable	1,117,151	788,250
Other borrowings	33,967,719	40,792,438
Allowance for credit losses on off-balance sheet credit exposures	909,341	909,341
Accrued expenses and other liabilities	8,862,311	9,008,263
Total liabilities	1,135,034,079	1,141,351,036
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; 3,370,793 and 3,552,740 issued; 3,370,793 and 3,536,055 shares outstanding in 2024 and 2023, respectively	33,708	35,528
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	19,069,534	26,649,655
Retained earnings	148,770,563	125,622,945
Accumulated other comprehensive loss net of tax	(25,630,488)	(25,834,256)
	265,993,317	250,223,872
Less unvested restricted stock and unallocated ESOP shares (0 and 66,257 respectively)	287,301	1,587,888
Total stockholders' equity	265,706,016	248,635,984
Total liabilities and stockholders' equity	$ 1,400,740,095	$ 1,389,987,020

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2024	**2023**	**2024**	**2023**
	Unaudited	Unaudited	Unaudited	Audited
Interest income				
Interest and fees on loans	$ 14,459,236	$ 13,110,505	$ 55,311,562	$ 49,137,083
Interest on investment securities				
Taxable securities	2,289,651	1,995,665	8,973,374	8,662,918
Nontaxable securities	195,065	225,763	825,180	918,620
Total investment income	2,484,716	2,221,428	9,798,554	9,581,538
Other interest income	1,758,409	2,657,531	8,665,402	7,468,104
Total interest income	18,702,361	17,989,464	73,775,518	66,186,725
Interest expense				
Interest on deposits	3,638,554	2,389,179	13,485,362	6,863,008
Interest on other borrowed funds	181,759	268,873	826,638	564,392
Total interest expense	3,820,313	2,658,052	14,312,000	7,427,400
Net interest income	14,882,048	15,331,412	59,463,518	58,759,325
Provision for credit losses	1,945,000	252,837	4,360,000	1,115,294
Net interest income after provision for credit losses	12,937,048	15,078,575	55,103,518	57,644,031
Noninterest income				
Service charges and fees	2,103,346	1,730,556	7,745,837	6,601,942
CDFI award income	10,349,017	14,395,028	10,349,017	15,112,928
New market tax credit sub-allocation and placement fees	480,000	535,000	1,620,000	2,466,945
Consulting and asset management fees	-	131,625	208,084	221,625
Investment securities gains (losses), net	(3,005,987)	(6,755,904)	(3,043,818)	(6,804,110)
Mortgage loan and related fees	-	11,286	6,417	107,765
Other	662,474	1,035,731	7,055,970	3,337,229
Total noninterest income	10,588,850	11,083,322	23,941,507	21,044,324
Noninterest expense				
Salaries and benefits	7,564,119	5,602,517	22,651,218	19,236,281
Net occupancy expense	1,000,150	848,633	4,213,958	3,360,687
Other	5,302,673	6,008,034	16,085,994	15,124,336
Total noninterest expense	13,866,942	12,459,184	42,951,170	37,721,304
Income before income tax expense	9,658,956	13,702,714	36,093,855	40,967,051
Income tax expense	2,129,699	3,313,200	8,090,591	9,425,916
Net income	7,529,257	10,389,514	28,003,264	31,541,135
Preferred Stock Dividends	(618,750)	-	(1,051,875)	-
Net income available to common shareholders	$ 6,910,507	$ 10,389,514	$ 26,951,389	$ 31,541,135
Basic earnings per common share	$ 2.00	$ 2.95	$ 7.65	$ 8.81
Basic weighted-average shares outstanding	3,461,210	3,527,632	3,523,312	3,580,793
Diluted earnings per common share	$ 2.00	$ 2.95	$ 7.65	$ 8.81
Diluted weighted-average shares outstanding	3,461,210	3,527,632	3,523,312	3,580,793
Cash dividend declared per share	$ 0.60	$ 0.35	$ 1.10	$ 0.60

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	12/31/2024	9/30/2024	6/30/2024	3/31/2024	12/31/2023
Equity					
Tier One Leverage	19.95%	20.26%	19.79%	19.16%	18.84%
Tier One Capital	28.02%	28.41%	26.03%	25.97%	25.75%
Equity to Total Assets	18.97%	19.69%	18.72%	18.17%	17.96%
At Month End					
Loans, held for investment	871,416,223	856,649,274	843,607,462	825,340,286	811,947,933
Total Deposits	1,090,177,557	1,067,672,177	1,080,324,345	1,092,794,783	1,089,917,587
Total Assets	1,400,740,095	1,382,494,217	1,384,408,020	1,393,817,052	1,390,125,766
Earnings & Performance Ratios					
Net Income	6,910,507	5,567,035	8,011,100	6,277,121	10,389,514
Net Interest Margin	4.60%	4.52%	4.47%	4.54%	4.68%
Return on Average Equity	10.99%	8.35%	12.63%	10.06%	17.61%
Return on Average Assets	2.14%	1.60%	2.37%	1.80%	3.00%
Earnings per Share	2.00	1.57	2.26	1.75	2.95
Weighted Avg Shares Outstanding	3,461,210	3,551,089	3,543,730	3,577,753	3,527,632