United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Second 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 second quarter ended June 30, 2025.

United Bancorporation of Alabama, Inc. ("United") reported net income of $9.3 million for the six months ended June 30, 2025, compared to net income of $14.8 million for the same period last year. Earnings per share for the six-month period were $2.78 compared to $4.15 for the same period in 2024. Net income for the three months ended June 30, 2025, was $4.6 million as compared to $8.3 million for the second quarter of 2024. Earnings per share for the three-month period were $1.36 versus $2.33 for the same period in 2024.

A semiannual dividend of $0.70 per share was declared for shareholders of record as of June 30, 2025.

Balance Sheet

United's total assets of $1.4 billion as of June 30, 2025, increased by $39.3 million or 2.8% from the prior year.

Cash and short-term investments totaled $168.8 million, which is a decrease of $15.2 million or 8.3% from the same period last year. Cash and cash equivalents to total assets ratio was 11.9%. Securities totaled $289.1 million at the end of June compared to $288.5 million on June 30, 2024, a slight increase of $585,897 or 0.2%.

Total loans held for investment as of June 30, 2025, were $890.8 million compared to $843.6 million as of June 30, 2024, representing an increase of $47.2 million or 5.6%. Growth was led by multifamily construction.

The allowance for credit losses (ACL) of $12.1 million was $199,780 less than the prior year. The provision increased by $954,250 during the quarter. The current allowance to loans coverage ratio was 1.36%.

Foreclosure of a nonaccrual asset caused other real estate to increase by $1.6 million during the quarter resulting in a balance of $2.0 million. This is an increase of $457,249 from June 2024. Bank owned life insurance increased by $2.5 million or 11.0% from the previous year to $25.3 million.

As of June 30, 2025, deposits totaled $1.1 billion, which is $27.7 million or 2.6% more than June 30, 2024. Other borrowings of $33.3 million decreased by $1.2 million or 3.6% from the prior year.

Capital

Year over year, total stockholder's equity increased $13.3 million or 5.1% to $272.8 million. This includes $123.75 million of preferred stock issued under the US Treasury Department's Emergency Capital Investment Program (ECIP). It currently carries a 2.0% dividend with quarterly dividend payments of approximately $618,750.

Elevated interest rates have created an unrealized loss position in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On June 30, 2025, the accumulated other comprehensive loss was $21.6 million, a decrease of $6.6 million or 23.4% from June 30, 2024.

During the quarter, United purchased 96,100 shares of stock under its repurchase program.

Unrealized gains and losses are not included in regulatory capital calculations. As of June 30, 2025, United's tier one leverage ratio, common equity tier one capital ratio and equity to total assets were approximately 19.8%, 15.5% and 19.1%.

Operating Results

Year-to-date interest and fees on loans and investment income increased $2.3 million and $682,701, respectively, over the same period last year. Lower federal funds rates reduced revenue from interest bearing deposits by $1.9 million or 38.0% to $3.1 million. For the six-month period ended June 30, 2025, total interest income was $1.1 million more than in the same period last year. This was offset by higher interest expense of $972,514. As a result, net interest income for the first six months of 2025 was slightly higher at $30.0 million as compared to $29.9 million for the same period the previous year.

Higher investment and loan yields contributed to a 0.08% increase in earning asset yields when compared to the first six months of the prior year. The yield on interest-bearing liabilities increased 0.18% to 2.32% and the cost of funds increased 0.16% to 1.36%. The year-to-date net interest margin was 4.60% as compared to 4.65% for the same period in 2024.

For the quarter ended June 30, 2025, earning asset yield was 5.81%, 0.18% more than in the second quarter of 2024. Loan yields were 0.23% higher and investment yields were approximately 0.34% higher. Yields on interest bearing liabilities were 2.34%, which was 0.35% more than the same quarter last year. Interest bearing non-maturity deposits accounted for the increase. Time deposit yields fell below 4.0%. As a result, the cost of funds for the second quarter of 2025 was 1.39% and the net interest margin was 4.64% compared to the cost of funds of 1.14% and net interest margin of 4.67% in the same quarter last year.

The second quarter of 2024 contained $1.4 million in revenue related to the unwinding of a New Market Tax Credit (NMTC) transaction. This combined with fewer closed NMTC transactions in second quarter 2025 resulted in noninterest income of $3.4 million, which was $3.3 million or 49.82% less than in the same quarter last year.

The first six months of 2025 noninterest income totaled $7.5 million, which was $1.7 million less than same period in 2024. The primary difference was the revenue related to NMTC transaction unwind. When comparing the first six months of 2025 to the same period last year, service charges and fees and NMTC related revenue were a combined $721,414 higher in the current year.

Non-interest expense for the six months ended June 30, 2025, was $21.3 million as compared to $19.4 million for the six months ended June 30, 2024, an increase of $1.9 million or 9.7%. For the three months ended June 30, 2025, non-interest expense was $11.4 million as compared to $10.5 million for the same period last year, an increase of $865,833 or 8.3%. Expenses remain elevated due to conversion; related expenses totaled $625,576 of which $313,362 occurred during the second quarter of 2025. 2025 year-to-date IT and salary and employee benefit expenses were $623,822 and $881,177, respectively, greater than in the previous year.

Credit Quality

As of June 30, 2025, nonaccrual loans and nonperforming assets were $8.7 million and $12.4 million, respectively. Since March 31, 2025, nonaccrual loans and nonperforming assets decreased by $4.3 million and $2.6 million, respectively. Year-over-year nonaccrual loans decreased by $1.2 million and non-performing assets by $2.9 million. Nonaccrual loans are concentrated among a few commercial and agriculture relationships and the Camden, AL market.

United will host a conference call on August 6, 2025, at 10:00 am (CST) to discuss the second quarter 2025's performance. To register for the conference call:

https://unitedbank.zoom.us/webinar/register/WN_sZRLFg38TB6LsBCAZagU4Q

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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)

	June 30 2025 Unaudited	June 30 2024 Unaudited
Assets		
Cash and due from banks	$ 36,295,123	$ 27,940,357
Interest-bearing deposits in banks	110,877,897	139,356,305
Federal funds sold	21,675,000	16,750,000
Cash and short-term investments	168,848,020	184,046,662
Investment in subsidiaries	1,979,655	1,505,047
Securities available for sale, at fair value (amortized cost of $314,491,715 and $321,289,858 at June 30, 2025 and 2024, respectively)	285,674,149	283,687,374
Securities held to maturity, at amortized cost (fair value of $3,340,620 and $4,718,518 at June 30, 2025 and 2024, respectively)	3,380,881	4,781,759
	289,055,030	288,469,133
Restricted equity securities, at cost	2,176,353	2,113,153
Loans held for investment	890,847,298	843,607,462
Less: Allowance for credit losses	12,079,699	12,279,479
Loans, net	878,767,599	831,327,983
NMTC Sub-CDE QLICI Loans	3,465,000	3,465,000
Premises and equipment, net	16,777,707	14,025,894
Interest receivable	9,533,159	8,766,597
Bank owned life insurance	25,352,766	22,844,384
Other real estate owned, net	2,013,553	1,556,304
Core deposit intangible	408,176	475,280
Goodwill	6,516,169	6,516,169
Other assets	18,766,463	19,296,415
Total assets	1,423,659,650	1,384,408,020
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 457,368,727	$ 469,048,663
Interest-bearing	650,609,511	611,275,682
Total deposits	1,107,978,238	1,080,324,345
Interest payable	1,241,617	1,075,507
Other borrowings	33,339,676	34,582,077
Allowance for credit losses on off-balance sheet credit exposures	683,307	909,341
Accrued expenses and other liabilities	8,098,868	8,472,405
Total liabilities	1,151,341,706	1,125,363,675
Stockholders' equity		
Preferred stock, par value of $1,000. Authorized 250,000 shares; 123,750 shares issued, in 2025 and 2024	123,750,000	123,750,000
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,288,213 and 3,564,750 issued; 3,288,213 and 3,548,065 shares outstanding in 2025 and 2024, respectively	32,867	35,639
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid-in capital	20,246,077	32,784,494
Retained earnings	150,347,142	132,371,628
Accumulated other comprehensive loss, net of tax	(21,613,168)	(28,201,858)
	272,762,918	260,739,903
Less unvested restricted stock and unallocated KSOP shares (0 and 66,256 respectively)	444,974	1,695,557
Total stockholders' equity	272,317,944	259,044,346
Total liabilities and stockholders' equity	$ 1,423,659,650	$ 1,384,408,020

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

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Interest income:				
Interest and fees on loans	$ 14,879,889	$ 13,475,231	$ 29,099,118	$ 26,805,069
Interest on investment securities:				
Taxable securities	2,566,061	2,228,644	5,140,849	4,330,749
Nontaxable securities	148,200	210,937	294,148	421,547
Total investment income	2,714,261	2,439,581	5,434,997	4,752,296
Other interest income	1,677,743	2,423,929	3,122,372	5,035,556
Total interest income	19,271,893	18,338,741	37,656,487	36,592,921
Interest expense:				
Interest on deposits	3,766,743	3,353,657	7,286,271	6,249,170
Interest on other borrowed funds	187,828	211,199	375,313	439,900
Total interest expense	3,954,571	3,564,856	7,661,584	6,689,070
Net interest income	15,317,323	14,773,885	29,994,903	29,903,850
Provision for credit losses	954,250	300,000	2,958,500	590,000
Net interest income after provision for credit losses	14,363,073	14,473,885	27,036,403	29,313,850
Noninterest income:				
Service charges and fees	2,039,618	1,891,019	4,014,696	3,573,282
CDFI award income	-	-	-	-
New market tax credit sub-allocation and placement fees	420,000	1,140,000	1,420,000	1,140,000
Consulting and asset management fees	-	200,940	121,876	208,084
Investment securities gains (losses), net	-	(37,832)	-	(37,832)
Mortgage loan and related fees	-	6,417	3,977	6,417
Other	900,156	3,495,481	1,938,619	4,283,864
Total noninterest income	3,359,774	6,696,025	7,499,168	9,173,814
Noninterest expense:				
Salaries and benefits	5,674,708	5,074,512	10,831,895	9,950,718
Net occupancy expense	974,002	1,438,864	2,009,710	2,238,967
Other	4,717,879	3,987,380	8,452,315	7,229,164
Total noninterest expense	11,366,589	10,500,756	21,293,920	19,418,849
Income before income tax expense	6,356,258	10,669,155	13,241,651	19,068,816
Income tax expense	1,182,694	2,413,648	2,672,332	4,291,782
Net income	5,173,564	8,255,506	10,569,319	14,777,034
Preferred Stock Dividends	(618,750)	-	(1,237,500)	-
Net income available to common shareholders	$ 4,554,814	$ 8,255,506	$ 9,331,819	$ 14,777,034
Basic earnings per common share	$ 1.36	$ 2.33	$ 2.78	$ 4.15
Basic weighted-average shares outstanding	3,350,311	3,543,730	3,361,988	3,560,648
Diluted earnings per common share	$ 1.36	$ 2.33	$ 2.78	$ 4.15
Diluted weighted-average shares outstanding	3,350,311	3,543,730	3,361,988	3,560,648
Cash dividend declared per share	$ 0.70	$ 0.50	$ 0.70	$ 0.50

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	6/30/2025	3/31/2025	12/31/2024	9/30/2024	6/30/2024	3/31/2024
Equity						
Tier One Leverage	19.83%	20.20%	19.95%	20.26%	19.79%	19.16%
Tier One Capital	27.30%	27.94%	28.02%	28.41%	26.03%	25.97%
Equity to Total Assets	19.13%	19.57%	18.97%	19.69%	18.72%	18.17%
At Month End						
Loans, held for investment	890,847,298	882,374,744	871,416,223	856,649,274	843,607,462	825,340,286
Total Deposits	1,107,978,238	1,086,453,827	1,090,177,557	1,067,672,177	1,080,324,345	1,092,794,783
Total Assets	1,423,659,650	1,401,037,001	1,400,740,095	1,382,494,217	1,384,408,020	1,393,817,052
Earnings & Performance Ratios						
Net Income	4,554,814	4,777,005	6,910,507	5,567,035	8,011,100	6,277,121
Net Interest Margin	4.64%	4.56%	4.60%	4.52%	4.47%	4.54%
Return on Average Equity	7.56%	8.09%	10.99%	8.35%	12.63%	10.06%
Return on Average Assets	1.46%	1.55%	2.14%	1.60%	2.37%	1.80%
Earnings per Share	1.36	1.42	2.00	1.57	2.26	1.75
Weighted Avg Shares Outstanding	3,350,311	3,373,796	3,461,210	3,551,089	3,543,730	3,577,753