



United Bancorporation of Alabama, Inc. Financial Report for the Quarter Ending September 30, 2015

Dear Fellow Shareholder,

Over the course of my time at United Bank, I have seen us expand our footprint, champion innovation and overcome economic and natural disasters. As I consider our performance through our third quarter, I would be remiss if I did not include the execution of our strategies this year and the results and momentum we're experiencing to be as significant as those achievements.

You will see evidence of this in the financial reporting included with this letter. We continue to carry the momentum from strategic decisions regarding our asset mix, investment portfolio, deposit product mix, online service delivery, expense control and overall profitability. These results are a reflection of the choices made when opportunities presented themselves as well as the teamwork and discipline exhibited by our employees to carry out our core strategies.

Of particular note are the results we continue to see related to our efforts as a Community Development Financial Institution (CDFI). When we earned our CDFI designation in 2010, I am not sure we fully appreciated the potential that carrying such a designation might have. While the initial intent to earn the designation was to access and hold capital at significantly lower cost, being a CDFI offers an even greater opportunity to make an impact in our underserved markets. Recognizing our work, the U.S. Treasury Department honored United Bank with its 2015 Bank Enterprise Award in September. At roughly \$265,000, the award is the highest available and is our fifth award in as many years. The BEA represents a return on the bank's investment in its people and programs and the work undertaken to further our mission of impacting families and small business in our area.

In regard to financial performance, we continue to realize increases in interest and fee income from continued growth in our consumer, commercial, ag and mortgage portfolios. In regard to non-interest income, we've seen a

lift of approximately \$145,000 over the same period last year following the launch of the Val U Checking family and the continuation of the realignment of our business products. Our regulatory and legal expenses have also been significantly lower as we continue to resolve asset and ORE issues.

Our focus on improving profitability is rivaled only by our efforts to enhance our customer experience while maintaining a staunch vigilance around fraud and security. As you're aware, the redesign of our website in early 2015 provided a new fraud and security resource center for our consumer and small business clients. We also brought online enhanced fraud monitoring for our debit and credit cards. In August, we undertook a significant redesign of our online banking platform, adding multilayer authentication, watermark security and expanded personal finance management capabilities. Complementing that new online platform is UB Mobile, a robust mobile app with peer-to-peer transfers, mobile deposit and a card management tool whereby clients can temporarily or permanently deactivate their debit cards. Our customers are embracing these new technologies as evidenced by the increase in enrollment and use of the individual features within online and mobile banking.

As we look to the fourth quarter, our budget and planning cycle for 2016 and beyond has begun in earnest. Our teams are laser focused on our core strategies and on carrying the momentum we've built this year into the future.

As always, I appreciate your continued support.

Sincerely,

Robert R Jones, III
President and CEO





United Bancorporation of Alabama, Inc.
Select Financial Data
For the Nine Months Ended September 30, 2015

Diluted Earnings Per Share	\$ 0.86	Return on Average Assets	0.58%
Net Interest Margin	3.50%	Loans to Deposits	65.61%
Cost of Funds	0.34%	NIB Deposits to Total Deposits	38.96%
Non Interest Income to Average Assets (Less ORE and Securities Gains)	1.08%	Allowance to Gross Loans, HFI	1.29%
		Leverage Ratio	10.06%

Financial Summary

(M=Thousands / MM = Millions)

Through the first nine months of 2015, United Bancorporation of Alabama, Inc. (UBAB) produced earnings available to common shareholders of \$2.1 MM. Total assets stand at \$505 MM as of September 30, 2015. Loans, net of allowance, totaled \$290 MM and represent a \$32.7 MM increase during the nine-month period and a \$26.5 MM increase relative to the prior year. Loan growth has occurred in residential mortgage, commercial, and agricultural sectors. The end of the third quarter historically represents the highest quarterly loan level as the agricultural production cycle peaks during harvest. The investment portfolio now contains \$148 MM of securities, an increase of \$8 MM from the year-earlier period.

The addition of higher-yielding, earning assets has produced \$499 M, or 4%, more interest income than the year-earlier period. Interest expense continued its trend of gradual decline to \$1.2 MM. This decline is the result of both the higher-than-peer non-interest bearing deposit holdings and the continued reduction of time deposits (\$9.4 MM year-over-year) as of September 30, 2015. The combined results produced a net interest margin of 3.50%, a 6 basis point improvement as compared to the same period last year.

Core non-interest income continued to be a strength of UBAB. The Val-U Checking launch, continued strength in our conventional mortgage offerings, and growth in UBAB's credit card program fueled an increase of \$325 M, or 9%, in core noninterest income. Non-core items include gains on the sale of securities (\$120 M) and ORE gains (\$680 M). The Bank Enterprise Award (\$265 M) was recognized in the third quarter of 2015. The 2014 Award (\$355 M) was recognized in the fourth quarter and thus a timing difference is present as of September 30, 2015. UBAB earned 1.01% of core non-interest income to average assets, well ahead of the 0.77% earned by peers.

Noninterest expense, less ORE reserves, was \$12.5 MM, an increase of 2.4% as compared to the nine months ended September 30, 2014. Increases pertaining to employee costs and IT expenses in support of strategic initiatives and customer-facing technologies represent the major areas of expense increase.

Balance Sheet

(\$ in 000s)

	2015	2014
Assets		
Cash and due from banks	\$ 25,716	\$ 38,737
Investment securities	148,240	140,304
Loans, net of reserve	290,493	263,965
Fixed assets	13,547	14,778
Other real estate	6,618	8,499
Other assets	20,774	19,175
Total assets	\$ 505,388	\$ 485,458
Liabilities and Stockholders' Equity		
Non-interest bearing deposits	\$ 174,667	\$ 152,354
Interest bearing deposits	273,659	280,095
Total deposits	448,326	432,449
Note payable to Trust	10,310	10,310
Other liabilities	3,564	2,917
Total Liabilities	462,200	445,676
Total stockholders' equity	43,188	39,782
Total liabilities and stockholders' equity	\$ 505,388	\$ 485,458

Income Statement

(\$ in 000s)

	2015	2014
Loan income, including fees	\$ 11,017	\$ 10,754
Securities income	1,761	1,505
Short-term investments	67	87
Total interest income	12,845	12,346
Deposits	1,015	1,070
Borrowings	199	203
Total interest expense	1,214	1,273
Net interest income	11,631	11,073
Provision for loan losses	230	325
Net interest income after provision for loan losses	11,401	10,748
Non-interest income	4,982	3,735
Non-interest expense	13,243	12,633
Taxable Earnings	3,140	1,850
Income tax expense	916	493
Net Earnings	2,224	1,357
Preferred stock dividends	154	154
Net Earnings available to common shareholders	\$ 2,070	\$ 1,203