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# Quarterly Update & Financial Summary

July 1, 2014



**United Bank**   
*Your Hometown Advantage*<sup>®</sup>

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*Your Hometown Advantage*<sup>®</sup>

PO Box 8  
Atmore, AL 36504

## Message from the President

Dear Fellow Shareholder:

I am pleased to announce that at a meeting held June 10, 2014, the Directors of United Bancorporation of Alabama declared a cash dividend of 6.5 cents per share for shareholders of record as of June 30, 2014. The dividend will be payable on or about July 14 and represents a .5 cent increase over the last dividend paid.

The figures you will see in this quarterly update are reflective of our progress. In particular, I want to recognize strong performances from our Mortgage Services team which saw a 53% increase in revenue over the same period in 2013, and our Financial Services division produced a 21% increase. Our continued emphasis on generating quality loans and resolving problem assets is producing positive results.

In addition to revenue, I explained in our Annual Report that enhancing shareholder value and preparing for the future were also key focus areas for the bank. Our plans to introduce a full suite of mobile banking tools and a completely new United Bank website in the third quarter will create both value for our clients and will position the bank to capitalize on the latest technology and online resources. Mobile apps and mobile check deposit, peer-to-peer transfers, and an enhanced, user-friendly website will make banking easier and more convenient.

As part of the bank's new website, we plan to launch a Fraud and Security section. Whether a single unauthorized charge on

### Second Quarter Initiatives

The introduction of a fee-based check cashing service across our branch network for non-bank customers.

The introduction of a small-dollar loan program designed to assist unbanked and under-banked clients build or improve their credit history.

your debit card or full blown identity theft, we recognize that having the tools to be proactive before you have an issue is just as important as being able to quickly recover from an incident. We also know that finding answers on how to best safeguard your information can be a source of aggravation and confusion. The feedback I've received from our clients about their own fraud experiences lets me know this is of critical importance and is why we are building it in as a prominent feature on our new website.

I look forward to sharing more about these and other efforts in the coming months.

Sincerely,

Robert R. Jones, III  
President and CEO

## Financial Overview

Total Assets, as of March 31, are \$492 million and have grown 1% from the previous year. Loans have increased \$3.5 million along with \$5.9 million of growth in deposits since the end of 2013. United's capital remains strong with a leverage ratio of 9.24%.

The decrease in loans as compared to same period prior year has been driven by pay downs from clients as well as an emphasis on asset quality and interest margin management by the bank. The protracted loan rate environment has put downward pressure on yields and has resulted in a 7% decrease in loan income. United has deployed liquidity into investment securities resulting in an increase in investment income. Continued reduction in deposit expense to \$358 thousand has also helped counter the reduction in interest income. These efforts have resulted in net interest income of \$3.6 million and a net interest margin of 3.34% for the three months ended March 31, 2014. Loan provisions totaled \$65 thousand for the three month period, a 71% improvement from 2013, as asset quality and risk metrics associated with the loan portfolio have continued to improve. Non-interest income has increased 7%, to \$1.2 million, as the bank has implemented strategies and new services to increase profitability in this area. Non-interest expenses increased 5% due to costs associated with technology projects and other real estate resolution. These items have resulted in net earnings of \$427 thousand through March 31, 2014, a 4% improvement over the same period in 2013.

### Select Financial Ratios

(unaudited)

	For the Three Months Ended March 31	
	2014	2013
<b>Earnings:</b>		
Net Interest Margin	3.34%	3.47%
Return on Assets	0.35%	0.35%
<b>Capital:</b>		
Tier I Leverage	9.24%	9.08%
Tier I Capital	15.49%	14.84%
Risk Based Capital	16.74%	16.10%
<b>Liquidity:</b>		
Loans to Deposits	57.91%	59.45%

## Condensed Balance Sheet

(unaudited)  
(\$ in thousands)

	March 31	
	2014	2013
<b>Assets</b>		
Cash and due from banks	\$ 64,455	\$ 84,999
Investment securities	134,252	110,548
Loans, net of reserve	252,301	256,081
Fixed assets	15,093	15,521
Interest receivable	1,915	1,957
Other real estate	8,753	9,849
Other assets	15,574	10,142
Total assets	<u>\$ 492,343</u>	<u>\$ 489,097</u>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Non-interest bearing	\$ 157,297	\$ 160,429
Interest bearing	284,539	277,655
Total deposits	441,836	438,084
FHLB advances	749	902
Interest payable	155	185
Other liabilities	1,688	1,460
Total liabilities	444,428	440,631
Total stockholders' equity	47,915	48,466
Total liabilities and stockholders' equity	<u>\$ 492,343</u>	<u>\$ 489,097</u>

## Condensed Income Statement

(unaudited)  
(\$ in thousands)

	Three Months Ended March 31	
	2014	2013
Interest income:		
Loans, including fees	\$ 3,487	\$ 3,736
Securities income	427	322
Short-term investments	42	44
Total interest income	3,956	4,102
Interest expense:		
Deposits	358	428
Borrowings	11	21
Total interest expense	369	449
Net interest income	3,587	3,653
Provision for loan losses	65	223
Net interest income after provision for loan losses	3,522	3,430
Non-interest income	1,172	1,098
Non-interest expense	4,107	3,919
Taxable earnings	587	609
Income tax expense	160	198
Net earnings	<u>\$ 427</u>	<u>\$ 411</u>

## Directors

David D. Swift, Chairman  
Michael R. Andreoli, Vice Chairman  
Robert R. Jones III, President & CEO  
Walter Crim  
Richard K. Maxwell  
Dale M. Ash  
Ricky W. Smith

## Directors Emeritus

Robert H. Maxwell  
Claude S. Swift  
William J. Justice  
Willie W. Saucer  
Eddie L. Tullis

## Locations

Atmore 200 East Nashville Ave. & 105 Lindberg Ave.	251-446-6100
Bay Minette 404 Courthouse 615 McMeans Ave.	251-937-0052 251-580-2729
Floaton 705 Sidney Manning Blvd.	251-296-3493
Foley 516 S McKenzie St.	251-943-2020
Frisco City 4285 Bowden St.	251-267-3161
Lillian 34354 US Hwy 98	251-962-2010
Loxley 1059 W Loxley Ave.	251-964-6220
Magnolia Springs 12512 Co Rd 49	251-965-4040
Monroeville 1588 S Alabama Ave.	251-743-3161
Silverhill 21950 Broad St	251-945-1902
Summerdale 1015 Southwest 1st St.	251-989-9070
Spanish Fort/Eastern Shore Ctr 30500 Hwy 181 Ste. 100	251-621-1229
Jay, FL 14038 Alabama St.	850-675-6000
Milton, FL 5907 Berryhill Road	850-981-3352
Pace, FL 3615 Highway 90	850-994-2301