



United Bancorporation of Alabama, Inc. Financial Report for the Quarter Ending March 31, 2015

Dear Fellow Shareholder,

I don't believe there is another bank in our communities that can do – or does – what we do. In the last 12 months – and particularly in the last three months – I've seen even greater evidence of this. We continue to take steps to elevate the United Bank brand among customers, our communities and our shareholders.

In January we launched our enhanced United Bank website. The site has a fresh clean appearance with features like Community Development and Agriculture pages that we've never had. Our new online home is the result of customer feedback indicating they wanted our site to be comprehensive yet easy to navigate. The site also addresses the emerging risk from cyber threats in our new fraud and security section which expands the site's importance beyond transaction and informational purposes. For our shareholders, the new site will be the primary source going forward for investor relations.

Along with our new website, we've seen tremendous uptick in the adoption and use of our updated smartphone app. Consider this – before the launch of UB Mobile in November, our customers would log on to the previous system an average of twice per month. Since January, we're seeing users log in an average of 200 times per month. That's an incredible shift in the importance our customers put on this new tool, and we continue to add new users each week. We also listened to our customers and added mobile check deposit, peer-to-peer and bank-to-bank transfers and an expedited bill pay service. We are again a leader with technology in our markets.

Customer feedback played a critical role in the development of each of the products and services mentioned above. As a hometown bank, we have an obligation to listen to our customer and to respond. This agility recently led to the creation of our new HomeField Advantage mortgage for small farms, rural homes and those with land. Understanding our markets has also led to us supporting Native American mortgage loans and to launching our new VeteransAdvantage and First Time Homebuyer Advantage

programs. Our customers can research these options and apply online from our website. We expect mortgage lending to lead our loan growth and we must continue to be flexible when we see a need we can fill for our customers.

Making sure we have the right product and service mix is an ongoing effort. To that end, I am encouraged by the steps we're taking after hearing from our customers. In a customer survey completed in March 2015, 96.8 percent of our customers who are borrowers indicated they would recommend United Bank's loan products and services to friends, family and others. More than 60 percent of respondents who were borrowers said their loan has positively impacted their financial stability or quality of life. When I see figures like these, I know the impact we make is more significant than simply the dollars we lend. Beyond the numbers, United Bank is changing the fabric of our communities and doing well by doing good.

As we take the lead in technology and develop products and services our customer tell us they want and need, we're also adding value for those consumers who conduct their daily banking with us. The Val U checking family, launched in January, provides an incredible range of benefits to customers as well as giving local businesses no-cost marketing opportunities. The benefits that come with the account – including ID theft restoration and cellphone protection—are game changers for our customers and for the bank.

As we move forward, we remain focused on driving additional value for our shareholders. I am excited about what's to come for United Bank as we continue to elevate the brand among all of our constituents. As always, thank you for your continued support.

Sincerely,

Robert R. Jones, III
President and CEO





United Bancorporation of Alabama, Inc.
Select Financial Data
For the Quarter Ended March 31, 2015

Diluted Earnings Per Share	\$ 0.21	Return on Average Assets	0.44%
Net Interest Margin	3.35%	Loans to Deposits	58.71%
Cost of Funds	0.35%	NIB Deposits to Total Deposits	38.80%
Non Interest Income to Average Assets		Allowance to Gross Loans, HFI	1.40%
(Less ORE and Securities Gains)	0.96%	Leverage Ratio	9.97%

Financial Summary

(M=Thousands / MM = Millions)

United Bancorporation of Alabama, Inc. (UBAB) produced earnings available to common shareholders of \$505M during Q1, 2015, a 56% increase over the prior year. Total Assets stand at \$507MM as of March 31, 2015. Loans, net of allowance, totaled \$262MM and represent a \$5MM increase during the quarter and a \$10MM increase relative to the prior year. Other real estate declined approximately \$2MM, or 22%, during the quarter.

UBAB recognized loan growth in Q1 in Agricultural, Residential Mortgage, and Commercial Lending sectors in line with historical competencies and strategic initiatives. Liquidity has also been deployed in the investment portfolio to produce higher yield. These efforts increased interest income \$116M. Interest expense continued its trend of gradual decline to \$426M, or 35 bps. This decline is the result of both the higher-than-peer Non-interest bearing deposit holdings (which stand at 38% of total) and the reduction of Time Deposits (\$10.8MM year-over-year) as of March 31, 2015. The combined results produced a net interest margin of 3.35%

Non-interest income continued to be a strength of UBAB. When adjusted for gains on the sale of ORE (\$622M) and investments (\$26M), UBAB earned 0.96% of Non-interest Income to Average Assets, well ahead of the 0.74% earned by peers. Of note, is the success from conforming mortgage production which totaled a near-record \$140M.

Noninterest expense, less an ORE reserve, was \$4.1MM, an increase of 2.3%. Increases pertain to employee costs and IT expenses in support of strategic initiatives and customer-facing technologies.

Balance Sheet

(\$ in 000s)

	2015	2014
Assets		
Cash and due from banks	\$ 68,736	\$ 64,261
Investment securities	137,478	134,252
Loans, net of reserve	262,343	252,411
Fixed assets	13,873	15,093
Other real estate	6,866	8,753
Other assets	18,050	18,726
Total assets	\$ 507,346	\$ 493,496
Liabilities and Stockholders' Equity		
Non-interest bearing deposits	\$ 175,690	\$ 157,472
Interest bearing deposits	277,073	284,340
Total deposits	452,763	441,812
Note payable to Trust	10,310	10,310
Other liabilities	2,535	2,915
Total Liabilities	465,608	455,037
Total stockholders' equity	41,738	38,459
Total liabilities and stockholders' equity	\$ 507,346	\$ 493,496

Income Statement

(\$ in 000s)

	2015	2014
Loan income, including fees	\$ 3,506	\$ 3,488
Securities income	536	426
Short-term investments	30	42
Total interest income	4,072	3,956
Deposits	333	358
Borrowings	66	68
Total interest expense	399	426
Net interest income	3,673	3,530
Provision for loan losses	75	65
Net interest income after provision for loan losses	3,598	3,465
Non-interest income	1,865	1,178
Non-interest expense	4,696	4,138
Taxable Earnings	767	505
Income tax expense	210	130
Net Earnings	557	375
Preferred stock dividends	52	52
Net Earnings available to common shareholders	\$ 505	\$ 323

United Bancorporation of Alabama, Inc.

United Bancorporation's forward-looking statements are based on management's current expectations and assumptions regarding the company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied in its forward-looking statements. For complete details, visit our Investor Relations page at www.unitedbank.com