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Quarterly Update & Financial Summary

January 30, 2015



United Bank
Your Hometown Advantage 

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Your Hometown Advantage

PO Box 8
Atmore, AL 36504

Message from the President

Dear Fellow Shareholder:

United Bank reported improved year-to-date earnings of \$2.2 million for the period ended December 31, 2014, on total assets of \$488 million. Capital remains strong, with the key Tier I Leverage Ratio at 9.45%. A more detailed presentation of the bank's financial performance is included on the following page.

Our fourth quarter featured more technology advances for our customers than we've added in the last several years. We launched mobile deposits and a new smartphone app, and our online banking now includes personal and bank transfers as well as expedited payments. I hope you've had the opportunity to use these features. As previously mentioned, we began a complete redesign of our website that we expect will be available at the end of February.

To capitalize on housing growth in many of our markets, United Bank created the HomeField Advantage mortgage in November. Designed initially for rural homes, we're finding it's becoming a fit for traditional homes and other specialty property.

Today, even as I draft this letter, we are in the midst of an exciting launch of a new personal checking lineup, Val-U Checking. These accounts combine the best of traditional banking with a host of new benefits that include local shopping discounts, cell phone protection, and identity theft assistance.

First Quarter Initiatives

The launch of a new personal deposit account lineup including Val-U Checking. These accounts will feature shopping and online discounts, cell phone protection, ID theft assistance, and health discounts, among other benefits.

When you consider our products and services – and our community development efforts that led to the bank receiving \$355,000 as part of the Treasury Department's Bank Enterprise Award – it's clear no other bank has, or will have, the depth of community service nor range of offerings we bring to our markets.

For 2015, our quarterly reports will provide consolidated United Bancorporation of Alabama, Inc. financials and information. Please look for your Annual Meeting Materials in early April, and remember to vote and return your proxy card as soon as possible.

Until then, Happy New Year.

Sincerely

Robert R. Jones, III
President and CEO

Financial Overview

Total Assets, as of December 31, 2014, are \$488 million. Loans have increased \$8.4 million while deposits remained stable. United's capital remains strong with a leverage ratio of 9.45%.

While loans have grown as a result of United's strategic efforts to find new credits, the highly-competitive, low-rate environment continued to pressure yields and resulted in a 2% decrease in loan income. United increased holdings of investment securities 15%, to \$135 million, as of December 31st. Investment income increased 39% as purchased bonds added additional yield and more than offset the reduction in loan income. Interest paid on deposits declined 12%, to \$1.4 million. Net interest income -- interest income minus interest expense -- realized in 2014 is approximately \$15.1 million. Net interest income is commonly divided by average interest-earning assets (primarily loans plus investment securities) to arrive at the net interest margin. As of December 31, 2014, the net interest margin for United was 3.51% and represents a 6 basis points improvement as compared to the prior year.

Loan provisions totaled \$325 thousand in 2014 and represent a 35% improvement from 2014, as asset quality and risk metrics associated with the loan portfolio have consistently improved. Non-interest income, net of gains on the sale of securities, has increased 4%, as strategic initiatives have added to profitability. Non-interest expenses increased 3%, primarily due to technology.

Select Financial Ratios

(unaudited)

	For the Year Ended December 31	
	2014	2013
Earnings:		
Net Interest Margin	3.51%	3.45%
Return on Assets	0.45%	0.42%
Capital:		
+Tier I Leverage	9.45%	9.23%
Tier I Capital	15.76%	15.28%
Risk Based Capital	17.00%	16.54%
Liquidity:		
Loans to Deposits	59.86%	57.88%

Condensed Balance Sheet

(unaudited)
(\$ in thousands)

	December 31	
	2014	2013
Assets		
Cash and due from banks	\$ 55,026	\$ 75,724
Investment securities	135,060	117,961
Loans, net of reserve	257,770	249,412
Fixed assets	14,062	15,211
Interest receivable	2,375	1,858
Other real estate	8,821	9,694
Other assets	15,317	15,923
Total assets	<u>\$ 488,431</u>	<u>\$ 485,783</u>
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 155,488	\$ 157,291
Interest bearing	280,165	278,612
Total deposits	435,653	435,903
FHLB advances	650	803
Interest payable	149	163
Other liabilities	1,935	1,560
Total liabilities	438,387	438,429
Total stockholders' equity	50,044	47,354
Total liabilities and stockholders' equity	<u>\$ 488,431</u>	<u>\$ 485,783</u>

Condensed Income Statement

(unaudited)
(\$ in thousands)

	For the year ended December 31	
	2014	2013
Interest income:		
Loans, including fees	\$ 14,376	\$ 14,707
Securities income	2,057	1,481
Short-term investments	106	151
Total interest income	16,539	16,339
Interest expense:		
Deposits	1,418	1,615
Borrowings	41	71
Total interest expense	1,459	1,686
Net interest income	15,080	14,653
Provision for loan losses	325	498
Net interest income after provision for loan losses	14,755	14,155
Non-interest income	5,373	5,379
Non-interest expense	17,008	16,568
Taxable earnings	3,120	2,966
Income tax expense	901	955
Net earnings	<u>\$ 2,219</u>	<u>\$ 2,011</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
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
Flomaton 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