

# United Bancorporation of Alabama, Inc.

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## United Bancorporation of Alabama, Inc. Updated Third Quarter Earnings

(OTCPNK: UBAB)- United Bancorporation of Alabama, Inc., parent company of United Bank and UB Community Development, a community development partner of United Bank, announces its financial results for the third quarter ending September 30, 2019.

United Bancorporation of Alabama, Inc. (UBAB) reported net income of \$7.3 million for the nine months ended September 30, 2019 compared to net income of \$8.4 million for the same period last year. The \$8.4 million includes a \$4.0 million Capital Magnet Fund (CMF) grant awarded by the CDFI Fund to finance affordable housing projects. Without the CMF, net income for the first nine months would have been \$5.3 million. Earnings per share for the nine months ended September 30, 2019 was \$2.25 compared to an earnings per share for the same period last year of \$3.45 and \$2.18 without CMF award.

The return on average assets for the nine months ended September 30, 2019 was 1.45%, the return on average equity was 14.72% and the efficiency ratio was 60.83%.

Year-to-date 2019 net interest income before the provision for credit losses was \$18.4 million compared to \$17.4 million, an increase of 5.6% over the same period last year. The increase is muted by the reclassification of interest income from UB Community Development to other non-interest income in 2019. Assuming the reclassification of income in 2018, the net interest income comparison would have reflected a \$2.6 million or 16.9% increase.

UBAB's net interest margin expanded by 29 bps to 4.07% for the nine months ended September 30, 2019 versus 3.78% for the same period the prior year.

The provision for credit losses for the first nine months ended September 30, 2019 was \$796,834 compared to \$788,431 for the same period last year. The provision is proportionate to loan growth and maintaining an adequate coverage ratio to gross loans.

Non-interest income for the nine months ended September 30, 2019 was \$8.0 million compared to \$9.0 million, which includes the \$4 million CMF award, for the same period last year. Without the CMF award non-interest income in 2018 would have been \$6.2 million. Service charges on deposits increased \$225,946 or 14.3% year-over-year. During the third quarter, five New Market Tax Credit (NMTC) transactions closed during the quarter netting \$1.3 million in fees. In addition, non-interest income was bolstered by \$245,547 Bank Enterprise Award (BEA). The BEA program is administered by the CDFI Fund.

Non-interest expense for the nine months ended September 30, 2019 was \$16.3 million compared to \$14.8 million for the same period last year. Increased salary expense comprised \$1.1 million of the \$1.5 million difference.

UBAB reported total assets of \$713.4 million at September 30, 2019 versus \$631.0 million at September 30, 2018.

Total loans, net of unearned income at September 30, 2019 were \$448.2 million compared to \$403.9 million at September 30, 2018, representing an increase of \$44.3 million or 11.0%. Growth was fueled by agriculture production, real estate construction and commercial and industrial lending. Agriculture production loans gradually fund up during the year and peak around harvest season, which generally starts early to mid fall. Growth in construction lending is primarily the result of several NMTC and CMF transactions. Loan growth was partially offset by a decline in investment securities of \$12.7 million or 9.8% as those assets were used to fund loans. During the third quarter 16.8%, or \$587,000, in nonaccrual loans were paid off or satisfactorily resolved.

Total deposits were \$611.5 million at September 30, 2019 versus \$568.6 million in total deposits at September 30, 2018, representing an increase of \$42.8 million or 7.5%. While the deposit growth reflects some cyclical, UBAB continues to focus on growing core deposits with strong results.

Premises and equipment increased by \$1.9 million year over year. Approximately \$1.4 million of the increase is due to the purchase of an existing branch located in Daphne, AL. The branch is scheduled to open in November 2019. United Bank now has 20 branches in its network.

As equity investor, UBAB prefunded \$3.5 million in a NMTC transaction, which will allow UBAB to take \$1.365 million in tax credits over the seven year life of the transaction.

In 2018, Other Borrowings of \$4.8 million included a holding company loan that was paid off in April 2019. The current \$5.25 million in Other Borrowings is comprised of \$5.0 million in FHLB borrowings that will be used to fund specific portfolio mortgage products.

At September 30, 2019, shareholders' equity totaled \$80.8 million compared to \$43.6 million at September 30, 2018. Book value per share increased by 22.6% to \$21.96 per share at September 30, 2019 versus \$17.91 per share at September 30, 2018.

United Bancorporation of Alabama's 401(k) Employee Stock Ownership Plan ("KSOP") paid \$375,000 on its note payable, releasing 18,750 shares from pledging restrictions.

At September 30, 2019 UBAB's tier one capital ratio, tier one leverage ratio and total equity to total assets were approximately 17.14%, 12.89% and 11.28%, respectively. At September 30, 2018, United Bank's tier one capital ratio, tier one leverage ratio and equity to total assets were 12.60%, 9.36%, and 9.23%, respectively.

For a complete third quarter report and financial performance metrics please visit our investor relations tab at [www.UnitedBank.com](http://www.UnitedBank.com).

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### **About United Bank**

United Bank is a \$670,000,000 financial institution that has enjoyed 115 years of continuous service to Atmore, Alabama and surrounding communities. United Bank has offices in Atmore, East Brewton, Brewton, Flomaton, Monroeville, Frisco City, Bay Minette, Foley, Lillian, Loxley, Magnolia Springs, Silver Hill, Spanish Fort, and Summerdale in Alabama. United Bank serves Santa Rosa County, Florida in Jay, Milton, and Pace. For more information about United Bank, please visit our website at [www.unitedbank.com](http://www.unitedbank.com). Member FDIC.

### **About UB Community Development**

UB Community Development's strong history and experience in New Markets Tax Credit transactions, coupled with our passion for improving the communities around us, make UBCD Alabama's premier financial partner for economic and community development. Through our NMTC projects, Community Facilities Lending Program and Community Housing Capital Fund, UBCD is working with community development partners in the fields of healthcare, education, manufacturing, public works, and more. For more information about UB Community Development, visit our website at [www.UBCCommunityDevelopment.com](http://www.UBCCommunityDevelopment.com).

### **This presentation 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 presentation 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. 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 presentation.

**United Bancorporation of Alabama, Inc.**  
**And Subsidiaries**  
**Consolidated Balance Sheets**

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Cash and due from banks	\$ 26,817,775	\$ 23,692,655
Interest bearing deposits in banks	61,972,153	15,561,061
Federal funds sold	2,000,000	4,000,000
Cash and cash equivalents	90,789,928	43,253,716
Securities available for sale (amortized cost of \$116,802,969 and \$136,462,808 respectively)	117,966,859	130,736,058
Securities held to maturity (fair values of \$17,886,582 and \$18,534,901 respectively)	17,554,894	18,878,956
	117,966,859	130,736,058
Loans held for sale	2,623	322,025
Loans held for investment	448,211,932	403,895,305
Less: Allowance for loan losses	4,801,883	4,238,387
Net loans	443,410,049	399,656,918
Premises and equipment, net	15,401,341	13,476,417
Interest receivable	3,880,685	3,461,321
Bank owned life insurance	11,628,077	11,298,575
Other real estate owned	1,768,681	1,616,888
Other assets	11,078,206	8,304,738
	11,078,206	8,304,738
Total assets	713,481,344	631,005,612
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Non-interest bearing	266,164,271	253,965,762
Interest bearing	345,354,352	314,667,757
Total deposits	611,518,624	568,633,519
Other borrowings	5,246,080	4,796,432
Interest payable	243,706	200,123
Accrued expenses and other liabilities	5,320,406	3,399,694
Note payable to Trust	10,310,000	10,310,000
Total liabilities	632,638,816	587,339,768
<b>Stockholders' equity</b>		
Preferred stock of \$.01 par value. Authorized 250,000 shares; no shares issued in 2019 and 2018, respectively	-	-
Class A common stock, \$.01 par value. Authorized 5,000,000 shares; issued 3,682,171 and 2,445,702 shares, respectively	37,634	24,351
Class B common stock, \$.01 par value. Authorized 250,000 shares; no shares issued or outstanding	-	-
Additional paid in capital	32,922,636	7,661,285
Retained earnings	48,697,726	40,277,222
Accumulated other comprehensive loss net of tax	872,919	(4,295,063)
	82,530,915	43,667,795
Less: 239 and 239 treasury shares, at cost, respectively	1,951	1,951
Less: Unvested Restricted Stock and Unallocated ESOP shares	1,686,436	-
Total stockholders' equity	80,842,528	43,665,844
Total liabilities and stockholders' equity	\$ 713,481,344	\$ 631,005,612

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Interest income:				
Interest and fees on loans	\$ 6,218,788	\$ 5,118,139	\$ 17,543,524	\$ 16,437,724
Interest on investment securities:				
Taxable	625,335	574,213	1,877,566	1,708,079
Nontaxable	210,041	219,872	635,586	660,954
Total investment income	835,376	794,085	2,513,152	2,369,033
Other interest income	300,167	180,833	749,428	475,278
Total interest income	<u>7,354,331</u>	<u>6,093,057</u>	<u>20,806,104</u>	<u>19,282,035</u>
Interest expense:				
Interest on deposits	724,510	521,029	1,952,428	1,359,819
Interest on other borrowed funds	132,889	161,571	430,570	481,386
Total interest expense	<u>857,399</u>	<u>682,600</u>	<u>2,382,998</u>	<u>1,841,205</u>
Net interest income	6,496,932	5,410,457	18,423,106	17,440,830
Provision for loan losses	<u>366,379</u>	<u>200,000</u>	<u>796,834</u>	<u>788,431</u>
Net interest income after provision for loan losses	<u>6,130,553</u>	<u>5,210,457</u>	<u>17,626,272</u>	<u>16,652,399</u>
Noninterest income:				
Service charge on deposits	622,375	550,652	1,807,846	1,581,900
Investment securities gains, net	122,369	-	117,512	24
Mortgage loan and related fees	287,258	267,361	724,270	655,406
Other	2,485,112	1,113,342	5,382,379	4,575,584
Capital Magnet Fund Award	-	0	-	4,000,000
Total noninterest income	<u>3,517,114</u>	<u>1,931,355</u>	<u>8,032,007</u>	<u>10,812,914</u>
Noninterest expense:				
Salaries and benefits	3,163,957	2,956,542	9,547,795	8,455,849
Net occupancy expense	552,840	494,019	1,578,523	1,369,439
Other	1,802,339	1,690,759	5,170,013	4,976,004
Total noninterest expense	<u>5,519,137</u>	<u>5,141,320</u>	<u>16,296,332</u>	<u>14,801,292</u>
Earnings before income tax expense	4,128,530	2,000,492	9,361,947	10,914,022
Income tax expense	883,511	418,910	2,019,325	2,491,038
Net earnings	3,245,019	1,581,582	7,342,622	8,422,984
Preferred stock dividends	-	-	-	-
Net earnings available to common shareholders	<u>\$ 3,245,019</u>	<u>\$ 1,581,582</u>	<u>\$ 7,342,622</u>	<u>\$ 8,422,984</u>
Basic earnings per share available to common shareholders	\$0.88	\$0.65	\$2.25	\$3.45
Diluted earnings per share available to common shareholders	\$0.88	\$0.65	\$2.25	\$3.45
Basic weighted average shares outstanding	<u>3,673,510</u>	<u>2,436,612</u>	<u>3,260,719</u>	<u>2,438,259</u>
Diluted weighted average shares outstanding	<u>3,673,510</u>	<u>2,436,612</u>	<u>3,260,719</u>	<u>2,438,259</u>
Cash dividend declared per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.080</u>	<u>\$ 0.075</u>
Previously Reported as of 10/22/19 (see footnote)				
Basic earnings per share available to common shareholders	\$1.06	\$0.65	\$2.40	\$3.45
Diluted earnings per share available to common shareholders	\$1.06	\$0.65	\$2.40	\$3.45
Basic weighted average shares outstanding	<u>3,058,430</u>	<u>2,436,612</u>	<u>3,058,430</u>	<u>2,440,195</u>
Diluted weighted average shares outstanding	<u>3,058,430</u>	<u>2,436,612</u>	<u>3,058,430</u>	<u>2,440,592</u>
Cash dividend declared per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.080</u>	<u>\$ 0.075</u>

Footnote:

A calculation error in the computation of weighted average shares was detected in previous reporting which impacted basic and diluted earnings per share.

# United Bancorporation of Alabama, Inc.

## Quarterly Comparison

	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
<b>Equity</b>					
Tier One Leverage	12.89%	12.60%	9.28%	9.15%	8.97%
Tier One Capital	17.14%	17.35%	13.20%	12.92%	12.74%
Equity to Total Assets	11.28%	11.37%	7.41%	7.29%	6.90%
<b>At Month End</b>					
Loans, net of unearned income	448,255,160	428,616,425	412,420,938	409,741,494	404,163,239
Total Deposits	611,518,624	582,004,983	606,765,960	573,154,928	570,354,481
Total Assets	713,481,344	677,213,627	674,982,030	637,584,383	632,679,819
<b>Earnings &amp; Performance Ratios</b>					
Net Income	3,058,430	2,455,395	1,642,258	1,563,782	1,581,582
Net Interest Margin	4.18%	4.05%	3.98%	3.96%	3.74%
Return on Average Equity	16.43%	13.27%	14.03%	13.99%	14.54%
Return on Average Assets	1.86%	1.44%	1.02%	0.97%	0.98%
Earnings per Share	0.88	0.67	0.67	0.64	0.65
Weighted Avg Shares Outstanding	3,673,510	3,648,202	2,446,966	2,445,463	2,446,643



## Quarterly Comparison

	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
<b>Equity</b>					
Tier One Leverage	9.36%	9.04%	9.21%	9.45%	9.24%
Tier One Capital	12.60%	12.46%	13.18%	13.08%	13.00%
Equity/Assets	9.23%	9.21%	8.84%	9.08%	8.76%
<b>Cost of Funds</b>					
United Bank Cost of Funds	0.49%	0.44%	0.40%	0.37%	0.36%
AL Banks Peers Cost of Funds	n/a	0.86%	0.81%	0.75%	0.67%