



United Bancorporation of Alabama, Inc. Financial Report for the Quarter Ending June 30, 2017

July 27, 2017

Dear Fellow Shareholder,

I am proud to report that total shareholder return for the full year ending June 30, 2017 was 92.36%. The Board of Directors of United Bancorporation, Inc. declared a six and half cent cash dividend to shareholders of record as of June 30, 2017. This performance reflects the improvement in market price per share while further validating the strength and liquidity in the stock.

Supporting this performance are the fundamentals of the company and its subsidiaries United Bank and UB Community Development, LLC. Loans during this period are up \$51.2 million or 17.17%. This positive growth across the entire portfolio has contributed to an improved Net Interest Margin of 3.59% up from previous year 3.47%. The impact of this performance is a 45.21% improvement in consolidated earnings of \$2.3 million. Earnings per share has increased from \$.62 to \$.96 on 2,415,069 common shares outstanding. A more detailed discussion on the company's financial performance is included with this letter.

Mid-year is an excellent time to revisit strategies and begin essential discussions about the next year. I am pleased to report that substantial progress has been made on all of management's objectives due to a concerted effort in business development combined with the further deployment of our UB Community Development efforts.

While banking is a people business, technology is the engine that drives service and performance. A serious strategic evaluation of the bank's technology capabilities has been ongoing. A plan is being finalized to address operational capabilities to improve services

and stabilize technology expense. These investments will serve the bank immediately and into the future. The outcome will be an enhanced customer experience along with additional product and service options.

Successful performance is dependent upon a solid strategy and execution. In addition, a positive economy and regulatory structure is critical. Locally our economies are much improved and reflect strong activity across all markets served by the bank. Optimism shown earlier in the year for an improved regulatory environment is waning. The bank and its customers need an improved business environment to prosper.

A final comment about the bank's CDFI mission. Our multi-faceted focus as a CDFI is showing positive results for customers and our communities. Our new website www.ubcommunitydevelopment.com will be going live soon to further support our CDFI mission. I encourage you to visit this new site as well as www.unitedbank.com and like us on Facebook for more information.

As always, we appreciate your continued support and welcome your feedback.

Sincerely,

Robert R. Jones, III
President & CEO



United Bancorporation  *of Alabama, Inc.*

PO Box 8, Atmore, AL 36504 / www.unitedbank.com / 251-446-6001

See More @ Our Online
Investor Relations Page

Stock Symbol: UBAB





Select Financial Data For the Six Months Ended June 30, 2017

Diluted Earnings Per Share	\$ 0.96	Return on Average Assets	0.80%
Net Interest Margin	3.59%	Loans to Deposits	64.79%
Cost of Funds	0.36%	NIB Deposits to Total Deposits	43.50%
Non Interest Income to Average Assets		Allowance to Gross Loans	1.22%
(Less ORE and Securities Gains)	1.08%	Leverage Ratio	8.03%

Financial Summary

(M=Thousands / MM = Millions)

United Bancorporation of Alabama, Inc. (UBAB) continues to experience success against 2017's primary initiative – loan growth. As of June 2017, Loans, net of reserve, have grown \$51.2 MM as compared to June of 2016 and \$49.8 MM as compared to December 2016, respectively. Loan growth has been realized across multiple segments of the portfolio and within areas of expertise. UB Community Development has gained traction with the incorporation of its opportunities of New Market Tax Credits and the USDA Re-lending programs. UBAB remains intently focused on asset quality during this time of loan growth. Credit risk indicators continue to be closely monitored and provisions of \$343 M have been added to the Allowance for loan losses as UBAB.

Total Assets were \$596 MM as of June 2017, an annual increase of \$46 MM, or 8%. Deposits have grown in-line with Assets as compared to June 2016. Noninterest bearing deposits remain a strong component of UBAB's balance sheet. Deposit pricing and market competition are a focus of the retail bank leadership. The reduction in Stockholders' equity, as compared to June 2016, was the result of UBAB's redemption of \$10 MM of CDCI funds offset by current earnings.

Net interest income has grown 12% as compared to the year-earlier period. Interest income for Q2, 2017 is approximately \$1.2 MM higher than the prior year, driven by loan growth. Interest expense increased \$134 M, or 16%. Interest on deposits grew \$32 M, or 5%, as compared to June 2016. The remaining \$102 M is due to the impact of rising rates on UBAB's borrowings. UBAB's cost of funds held at 36 basis points. The combined results produced a net interest margin of 3.59% which was 12 basis points higher than the year earlier period.

Non-interest income net of securities gains grew \$244 M as of June 2017, driven by card-based and conforming mortgage revenue growth. Mortgage revenue continues to expand as a result of 2016's strategic deployment of UBAB's capabilities into local, high-growth markets. Noninterest expense held steady at \$8.8 MM.

Revenue growth, rigorous deposit-pricing discipline, and expense containment have combined to produce net earnings of \$2.3 MM as of June 2017 as compared to \$1.5 MM as of June 2016.

Balance Sheet

(\$ in 000s)

	2017	2016
Assets		
Cash and due from banks	\$ 54,332	\$ 78,418
Investment securities	160,351	142,097
Loans, net of reserve	345,428	294,314
Fixed assets	13,224	13,653
Other real estate	3,648	4,160
Other assets	19,306	17,924
Total assets	\$ 596,289	\$ 550,566
Liabilities and Stockholders' Equity		
Non-interest bearing deposits	\$ 234,529	\$ 208,482
Interest bearing deposits	304,613	282,987
Total deposits	539,142	491,469
Note payable to Trust	10,310	10,310
Other liabilities	9,829	3,324
Total Liabilities	559,281	505,103
Total stockholders' equity	37,008	45,463
Total liabilities and stockholders' equity	\$ 596,289	\$ 550,566

Income Statement

(\$ in 000s)

	2017	2016
Loan income, including fees	\$ 8,468	\$ 7,669
Securities income	1,659	1,301
Short-term investments	114	121
Total interest income	10,241	9,091
Deposits	719	687
Borrowings	248	147
Total interest expense	967	834
Net interest income	9,274	8,257
Provision for loan losses	343	200
Net interest income after provision for loan losses	8,931	8,057
Non-interest income	3,176	3,070
Non-interest expense	8,818	8,801
Taxable Earnings	3,289	2,326
Income tax expense	974	732
Net Earnings	2,315	1,594
Preferred stock dividends	-	103
Net Earnings available to common shareholders	\$ 2,315	\$ 1,491