

United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Second 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 second quarter ending June 30, 2020.

United Bancorporation of Alabama, Inc. ("United") reported net income of \$8.3 million for the six months ending June 30, 2020 compared to net income of \$4.1 million for the same period. The \$8.3 million includes a \$6.0 Capital Magnet Fund (CMF) grant awarded by the CDFI Fund to finance affordable housing projects. Without the CMF award, net income for the six months ending June 30, 2020 would have been \$3.6 million. Earnings per share for the six month period was \$2.24 compared to \$1.34 for the same period in 2019 and \$0.99 without the CMF award.

Net income for the three month period ending June 30, 2020 was of \$5.9 million for the three months ended June 30, 2019 compared to net income of \$2.4 million for the same period last year. Without the CMF award, net income for the quarter would have been \$1.3 million. Earnings per share for the three months ended June 30, 2020 was \$1.60 compared to an earnings per share for the same period last year of \$0.67 and \$0.35 without the CMF award.

The return on average assets and average equity for the six months ended June 30, 2020 was 2.13% and 19.27%, respectively.

On June 30, 2020, United declared a semiannual dividend of \$0.10 per share which represents 1.13% yield.

Balance Sheet

United reported total assets of \$890.5 million at June 30, 2020 as compared to \$677.2 million at June 30, 2019, an increase of \$213.3 million or 31.5%.

Total loans, net of unearned income at June 30, 2020 were \$512.3 million compared to \$428.6 million at June 30, 2019, representing an increase of \$83.7 million or 19.5%. PPP loans account for \$49.9 million of the growth. Approximately \$30 million in loan growth was fueled by real estate construction for NMTC and Low Income Housing Tax Credit (LIHTC) projects, loans to municipalities and commercial real estate. Mortgage lending for 1-4 family and home equity lines grew \$2.6 million. The securities portfolio declined \$20.7 million or 14.0% as the bond market responded to lower yields in the form of faster prepayments and bond refundings.

During the first quarter, United closed the Community Foundation of South Alabama (CFSA) project, its first New Market Tax Credit (NMTC) transaction as an investor. In addition to receiving the 39.0% tax credit over the seven year investment period which began in 2019, the investor maintains controlling interest in two legal entities, the investment fund and community development entity (CDE) that are part of the NMTC structure. The CDE, which is 99.9% owned by United, financed loans to CFSA in the amount of \$3.5 million.

Total deposits were \$771.0 million at June 30, 2020 as compared to \$582.0 million in total deposits at June 30, 2019, representing an increase of \$189.0 million or 32.5%. The coronavirus and the various stimulus programs caused customers to maintain higher levels of liquidity. Not only are deposits at elevated levels, but cash and interest bearing deposits also grew by \$146.7 million or 228.7%.

Operating Results

Year-to-date 2020 net interest income before the provision was \$12.5 million compared to \$11.9 million for the same period in the prior year, an increase of \$589,024 or 4.9%. Second quarter 2020 net interest income before the provision was \$6.14 million versus \$6.17 million in the second quarter of 2019, representing a slight decline of \$33,636 or -0.5%. Interest and fees on loans improved by \$417,803 quarter over quarter, but the increase was offset by reduced earnings on cash and the investment portfolio. Both interest income and expense were flat quarter-over-quarter.

As a result, United's net interest margin for the six months ended June 30, 2020 was 3.66% as compared to 4.03% for the same period in 2019. Earning asset yields declined 39 bps year over year to 4.13%. Yields on interest bearing liabilities fell 3 bps to 89 bps for the six months ending June 30. The cost of funds for the six months ended June 30, 2020 was 48 bps compared to 51 bps for the six months ending June 30, 2019.

Similarly, for the quarter ending June 30, 2020, the net interest margin was 3.40% as compared to 4.06% for the quarter ending June 30, 2019, a 66 bps decrease. Earning asset yields declined 74 bps to 3.82% for the quarter ending June 30, 2020. Yields on interest bearing liabilities decreased 11 bps to 82 bps for the three months ending June 30, 2020. The cost of funds was 43 bps compared to 52 bps for the quarter ending June 30, 2019.

The lower earning asset yield and margin are a result of \$49.9 million in PPP loans at 1.0% coupled with excess liquidity earning 10 bps. PPP loans accounted for all but \$5.7 million in loan growth for the second quarter. To date United has earned approximately \$2.1 million in fees related to PPP loans. It has not recognized any of this revenue, but intends to do so in the third quarter.

The provision for credit losses for the six months ended June 30, 2020 was \$1,000,000 compared to \$430,455 for the same period last year. In March 2020 a \$500,000 provision was expensed due to the global economic uncertainty surrounding the coronavirus pandemic. For the quarter ending June 30, 2020, the provision for credit losses was \$300,000 as compared to \$155,455. This brings the allowance for loan losses to \$6.2 million and the coverage ratio to 1.23%. Excluding PPP loans, the allowance to loans coverage ratio would be 1.35%.

Non-interest income for the six months ended June 30, 2020 was \$11.3 million compared to \$4.5 million for the same period last year. The \$6.0 million CMF award was recognized in the second quarter of 2020. Without it, year-to-date non-interest income would have been \$5.3 million, which is \$730,656 more than the same period last year. During the first quarter United received a \$799,000 Financial Assistance award from the CDFI Fund in support of small business lending initiatives. Non-interest income without either CDFI award is \$68,697 less than the same period in the prior year.

For the quarter ending June 30, 2020 non-interest income was \$7.9 million compared to \$2.7 million for the quarter ending June 30, 2019. Without the CMF award, second quarter non-interest income would have been \$1.9 million, which is \$765,670 less than the same period in the prior year. The higher deposit balances during the second quarter reduced insufficient funds revenue by \$208,654 or 54.4% from second quarter 2019. Non-interest income was impacted by the volume of NMTC transactions. Three transactions closed in the second quarter of 2019 versus one transaction in second quarter 2020, resulting in less fee income.

Non-interest expense for the six months ended June 30, 2020 was \$12.1 million compared to \$10.8 million for the same period last year, an increase of \$1.2 million or 11.7%. Quarter-over-quarter non-interest expense rose \$492,289 or 8.8% to \$5.9 million. The increased expenses are due to the opening of two new branches in Daphne and Semmes, AL; the installation of deposit-taking ATMs in all branch locations; and strategic new hires.

Capital

At June 30, 2020, shareholders' equity totaled \$92.6 million compared to \$76.9 million at June 30, 2019, an increase of \$15.1 million or 19.7%.

At June 30, 2020 tier one capital ratio, tier one leverage ratio and total equity to total assets were approximately 17.75%, 12.10% and 10.44%, respectively. Excluding PPP loans, which are temporarily inflating the balance sheet, total equity to total asset ratio would be 11.02%.

For a complete quarterly report and financial performance metrics please visit our investor relations tab at www.UnitedBank.com.

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About United Bank

United Bank is a \$870,000,000 financial institution that has enjoyed 116 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. 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.UBCommunityDevelopment.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
(Unaudited)

	June 30, 2020	June 30, 2019
Assets		
Cash and due from banks	\$ 41,866,652	\$ 23,900,944
Interest bearing deposits in banks	168,985,234	36,249,797
Federal funds sold	-	4,000,000
Cash and cash equivalents	210,851,886	64,150,741
Securities available for sale (amortized cost of \$107,880,423 and \$130,469,769 respectively)	111,016,900	131,001,690
Securities held to maturity (fair values of \$17,424,175 and \$17,841,896 respectively)	16,820,725	17,579,817
	127,837,625	148,581,507
Loans held for sale	1,327,317	559,750
Loans held for investment	512,361,189	428,616,425
Less: Allowance for loan losses	6,276,607	4,633,956
Net loans	506,084,582	423,982,469
NMTC Sub-CDE QLICI Loans	3,500,000	-
Premises and equipment, net	16,405,757	13,961,807
Interest receivable	4,119,626	3,609,045
Bank owned life insurance	11,871,450	11,545,252
Other real estate owned	962,500	1,433,167
Other assets	7,606,045	9,389,889
Total assets	890,566,788	677,213,627
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	399,364,259	252,228,129
Interest bearing	371,649,652	329,776,854
Total deposits	771,013,911	582,004,983
Other borrowings	10,248,128	3,078,207
Interest payable	237,919	227,537
Accrued expenses and other liabilities	6,086,235	4,603,364
Note payable to Trust	10,310,000	10,310,000
Total liabilities	797,896,193	600,224,091
Stockholders' equity		
Preferred stock of \$.01 par value. Authorized 250,000 shares; no shares issued in 2020 and 2019, respectively	-	-
Class A common stock, \$.01 par value. Authorized 5,000,000 shares; issued 3,710,852 and, 3,656,758 shares, respectively	37,764	37,618
Class B common stock, \$.01 par value. Authorized 250,000 shares; no shares issued or outstanding	-	-
Additional paid in capital	33,261,848	32,882,495
Retained earnings	58,568,954	45,743,569
Accumulated other comprehensive loss net of tax	2,352,358	398,942
	94,220,924	79,062,624
Less: 239 and 239 treasury shares, at cost, respectively	1,951	1,951
Less: Unvested Restricted Stock and Unallocated ESOP shares	1,548,378	2,071,137
Total stockholders' equity	92,670,595	76,989,536
Total liabilities and stockholders' equity	\$ 890,566,788	\$ 677,213,627

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

	Three Months Ended June 30	
	2020	2019
Interest income:		
Interest and fees on loans	\$ 6,265,964	\$ 5,848,161
Interest on investment securities:		
Taxable	443,037	617,514
Nontaxable	201,243	213,419
Total investment income	644,280	830,933
Other interest income	27,344	287,264
Total interest income	6,937,588	6,966,358
Interest expense:		
Interest on deposits	646,446	652,501
Interest on other borrowed funds	145,184	134,263
Total interest expense	791,630	786,764
Net interest income	6,145,958	6,179,594
Provision for loan losses	300,000	155,455
Net interest income after provision for loan losses	5,845,958	6,024,139
Noninterest income:		
Service charge and fees	1,083,617	1,250,759
Investment securities gains, net	8,274	-
Mortgage loan and related fees	288,095	219,163
Other	446,794	402,528
CDFI Award Income	6,000,000	-
New market tax credit sub-allocation and placement fees	140,000	860,000
Total noninterest income	7,966,780	2,732,450
Noninterest expense:		
Salaries and benefits	3,515,822	3,186,526
Net occupancy expense	639,211	513,116
Other	1,924,357	1,887,459
Total noninterest expense	6,079,390	5,587,101
Earnings before income tax expense	7,733,348	3,169,488
Income tax expense	1,791,821	714,096
Net earnings	5,941,527	2,455,392
Preferred stock dividends	-	-
Net earnings available to common shareholders	\$ 5,941,527	\$ 2,455,392
Basic earnings per share available to common shareholders	\$1.60	\$0.67
Diluted earnings per share available to common shareholders	\$1.60	\$0.67
Basic weighted average shares outstanding	3,708,050	3,652,255
Diluted weighted average shares outstanding	3,708,050	3,652,255
Cash dividend declared per share	\$ 0.100	\$ 0.080

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

	Six Months Ended June 30	
	2020	2019
Interest income:		
Interest and fees on loans	\$ 12,488,651	\$ 11,324,735
Interest on investment securities:		
Taxable	1,017,550	1,236,466
Nontaxable	396,540	425,545
Total investment income	1,414,090	1,662,011
Other interest income	286,899	465,040
Total interest income	14,189,640	13,451,786
 Interest expense:		
Interest on deposits	1,375,015	1,227,918
Interest on other borrowed funds	299,414	297,681
Total interest expense	1,674,429	1,525,599
 Net interest income	12,515,211	11,926,187
 Provision for loan losses	1,000,000	430,455
 Net interest income after provision for loan losses	11,515,211	11,495,732
 Noninterest income:		
Service charge and fees	2,261,646	2,366,781
Investment securities gains, net	215,729	(4,858)
Mortgage loan and related fees	548,497	437,012
Other	910,827	672,511
CDFI Award income	6,799,353	233,950
New market tax credit sub-allocation and placement fees	560,000	860,000
Total noninterest income	11,296,052	4,565,396
 Noninterest expense:		
Salaries and benefits	6,837,721	6,139,721
Net occupancy expense	1,292,810	1,021,783
Other	3,964,173	3,666,157
Total noninterest expense	12,094,704	10,827,661
 Earnings before income tax expense	10,716,559	5,233,467
Income tax expense	2,405,565	1,135,814
Net earnings	8,310,994	4,097,653
Preferred stock dividends	-	-
Net earnings available to common shareholders	\$ 8,310,994	\$ 4,097,653
 Basic earnings per share available to common shareholders	\$2.24	\$1.34
Diluted earnings per share available to common shareholders	\$2.24	\$1.34
Basic weighted average shares outstanding	3,706,246	3,052,940
Diluted weighted average shares outstanding	3,706,246	3,052,940
Cash dividend declared per share	\$ 0.100	\$ 0.080

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	6/30/20 No CMF Award	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Equity						
Tier One Leverage		12.10%	12.95%	12.70%	12.89%	12.60%
Tier One Capital		17.75%	17.99%	17.33%	17.14%	17.35%
Equity to Total Assets		10.44%	11.69%	11.29%	11.28%	11.37%
At Month End						
Loans, net of unearned income		512,361,189	459,649,937	455,066,647	448,255,160	428,616,425
Total Deposits		771,013,911	629,759,319	622,567,234	611,518,624	582,004,983
Total Assets		890,566,788	742,977,301	730,777,733	713,481,344	677,213,627
Earnings & Performance Ratios						
Net Income	1,307,067	5,941,527	2,369,468	2,418,150	3,245,019	2,455,395
Net Interest Margin	3.40%	3.40%	3.95%	4.08%	4.18%	4.05%
Return on Average Equity	5.81%	27.00%	11.22%	11.79%	16.43%	13.27%
Return on Average Assets	0.62%	2.87%	1.30%	1.32%	1.86%	1.44%
Earnings per Share	0.35	1.60	0.64	0.65	0.88	0.67
Weighted Avg Shares Outstanding	3,708,050	3,708,050	3,704,441	3,692,880	3,680,597	3,652,255

United Bank

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Quarterly Comparison

	6/30/20 No CMF Award	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Equity						
Tier One Leverage		9.36%	9.79%	9.60%	9.36%	9.04%
Tier One Capital		13.86%	13.73%	13.25%	12.60%	12.46%
Equity/Assets		8.99%	9.92%	9.57%	9.23%	9.21%
Cost of Funds						
United Bank Cost of Funds		0.39%	0.49%	0.50%	0.49%	0.44%
AL Banks Peers Cost of Funds		n/a	0.81%	0.79%	0.83%	0.86%