

# United Bancorporation of Alabama, Inc.

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For Immediate Release

United Bancorporation of Alabama, Inc. Announces Third Quarter Earnings

(OTCQX: UBAB)- United Bancorporation of Alabama, Inc., parent company of United Bank (UB) and UB Community Development (UBCD) announces its financial results for the third quarter ended September 30, 2024.

On September 30, 2024, United Bank and Town Country United Bank merged with United Bank, being the surviving entity.

United Bancorporation of Alabama, Inc. ("United") reported net income of \$20.0 million for the nine months ended September 30, 2024, compared to net income of \$21.2 million for the same period last year. Earnings per share for the nine-month period were \$5.63 compared to \$5.88 for the same period in 2023. Net income for the three months ended September 30, 2024, was \$5.6 million as compared to \$7.1 million for the third quarter 2023. Earnings per share for the three-month period were \$1.57 versus \$1.99 for the same period in 2023.

## Balance Sheet

United's total assets of \$1.4 billion as of September 30, 2024, was an increase of \$21.6 million or 1.6% from the prior year.

Cash and short-term investments totaled \$158.6 million, which is a decrease of \$16.1 million or 9.2% from the same period last year. Cash and cash equivalents to total assets ratio was 11.47%. Securities totaled \$294.3 million at the end of September, a decrease of \$14.3 million or 4.6% from the third quarter in 2023.

Total loans held for investment as of September 30, 2024, were \$856.6 million compared to \$807.7 million as of September 30, 2023, representing an increase of \$48.9 million or 6.2%. Growth was fueled by commercial and real-estate lending.

The allowance for credit losses (ACL) of \$12.1 million was \$368,601 less than the prior year. The current allowance to loans coverage ratio was 1.41%.

Other real estate of \$2.8 million includes three bank owned properties that were reclassified earlier this year and three recently foreclosed loans. Bank owned life insurance increased by \$2.4 million or 10.9% from the previous year to \$24.8 million. A reduction in deferred tax assets was attributable to a year-over-year decline in other assets of \$3.0 million.

Deposits totaled \$1.06 billion as of September 30, 2024, compared to \$1.1 billion for the same period the prior year, a decrease of \$21.0 million or 1.9%. Other borrowings of \$34.3 million were \$6.8 million or 16.6% less than the prior year. Prepayment of loans UB loans made under the USDA Community Facility program triggered the repayment of \$5.5 million to the USDA.

## Capital

Year-over-year, total stockholder's equity increased \$47.8 million to \$272.2 million. This includes \$123.75 million of preferred stock issued under the US Treasury Department's Emergency Capital Investment Program (ECIP).

Elevated interest rates have created an unrealized loss position in available-for-sale securities (AFS) that are recorded in accumulated other comprehensive income. On September 30, 2024, the accumulated other comprehensive loss was \$21.1 million, a decrease of \$19.4 million or 48.0% from September 2023.

Unrealized gains and losses are not included in regulatory capital calculations. As of September 30, 2024, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 20.26%, 28.41% and 19.69%.

### Operating Results

Year-to-date through September 30, 2024, net interest income before the provision was \$44.6 million compared to \$43.4 million a year ago, an increase of \$1.2 million or 2.7%. Year-to-date interest and fees on loans increased \$4.8 million over the same period last year. Income from interest-bearing deposits increased \$2.1 million from September 30, 2023. Year-over-year interest expense grew by almost \$5.7 million or 120.0% to \$10.5 million.

Year to date earning asset yield was 5.62%, the yield on interest-bearing liabilities was 2.18%, and cost of funds was 1.24/36%. September 2023 year-to-date earning asset yield was 5.13%, interest bearing liabilities yield was 1.08%, and the cost of funds was 0.58%. Despite the substantially higher cost of funds, the year-to-date net interest margin of 4.57% is slightly less than the same period last year.

Quarter-over-quarter, net interest income before the provision was \$309,435 or 2.06% less than third quarter 2023. Interest and fees on loans was \$1.08 million and securities income was \$170,269 more in third quarter 2024. Interest expense was \$1.8 million or 88.3% more in third quarter 2024 as compared to third quarter 2023.

The third quarter 2024 earning asset yield was 5.66%, which is 0.36% more than third quarter 2023. For the same comparison period, interest bearing liabilities increased by 0.97% to 2.34%. For the third quarter, the cost of funds was 1.37%, which is unchanged from the previous quarter and 0.64% higher than third quarter 2023. Net interest margin for the third quarter 2024 was 4.52%, which is 0.17% less than the margin in third quarter 2023.

In the third quarter 2024, \$1.5 million was added to the provision for credit losses, which offset \$2.1 million in charge offs. The year-to-date provision of \$2.4 million is \$1.5 million more than the comparable period in 2023.

2024 year-to-date non-interest income was \$13.4 million as compared to \$9.9 million for the same period in 2023. The \$3.4 million year-over-year increase contains \$2.4 million in revenue from the unwind of a NMTC transaction and \$1.4 million debit card conversion incentive bonus that was recorded in the third quarter. Year-to-date service charges and fees were \$711,105 or 15.8% more in 2024 than in 2023 due to enhanced products and services.

The CDFI Fund recently announced several awards. United or its subsidiaries received the following: Bank Enterprise Award (BEA) of \$64,017, Financial Assistance (FA) award of \$1.3 million, New Market Tax Credit (NMTC) allocation of \$65 million, and Capital Magnet Fund (CMF) award of \$9.0 million.

For the nine months ended September 30, 2024, non-interest expense was \$29.1 million as compared to \$25.3 million for the same period last year, an increase of \$3.8 million or 15.2%. Higher salaries and benefits, merger-related expenses and other real estate provision comprised the increase.

### Credit Quality

As of September 30, 2024, nonaccrual and non-performing loans were \$14.7 million and \$19.0 million, respectively. Year-over-year, nonaccrual loans increased \$7.5 million and nonperforming assets by \$11.8 million. Nonaccrual and nonperforming loans increased \$4.8 million and \$3.8 million, respectively, over the previous quarter. Three relationships represent \$11.8 million or 80.0% of nonaccrual loans. As of September 30, 2024, both modifications to borrowers experiencing financial difficulty and other real estate were \$671,633 million and \$2.9 million, respectively. Other real estate increased by \$1.3 million during the quarter.

United will host a conference call on November 13, 2024, at 10:00 am (CST) to discuss third quarter 2024 performance. To register for the conference call:

[https://unitedbank.zoom.us/webinar/register/WN\\_ANwCS-CCR86R\\_gMZr4xtUQ](https://unitedbank.zoom.us/webinar/register/WN_ANwCS-CCR86R_gMZr4xtUQ)

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About United Bancorporation of Alabama, Inc.

United Bancorporation of Alabama, Inc. (OTCQX: UBAB) is a \$1.4 billion financial holding company that primarily serves Southwest Alabama as well as Northwest Florida. United is a Community Development Financial Institution (CDFI), which recognizes its commitment to stimulating economic development in underserved communities. United operates United Bank and UB Community Development. United Bank is also designated as a CDFI and operates 23 locations across six counties. UB Community Development focuses on economic and community development through its New Market Tax Credits, affordable housing and community facilities programs. United Bank has offices in Atmore, Brewton, Camden, Flomaton, Monroeville, Frisco City, Bay Minette, Daphne, Foley, Lillian, Loxley, Magnolia Springs, Semmes, Silverhill and Summerdale in Alabama. United Bank serves Santa Rosa County, Florida in Jay, Milton and Pace.

**This press release 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 press release 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.; and (viii) the timing and amount of purchase activity under the Repurchase Program, if any. 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 press release.

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

	<u>September 30</u> <u>2024</u>	<u>September 30</u> <u>2023</u>
<b><u>Assets</u></b>		
Cash and due from banks	\$ 31,399,561	\$ 42,768,667
Interest-bearing deposits in banks	107,146,063	117,688,026
Federal funds sold	20,050,000	14,300,000
Cash and short term investments	<u>158,595,624</u>	<u>174,756,693</u>
Investment in subsidiaries	1,370,836	1,739,018
Securities available for sale, at fair value (amortized cost of \$318,237,897 and \$357,697,262 at September 30, 2024 and 2023, respectively)	290,130,564	303,652,280
Securities held to maturity, at amortized cost (fair value of \$4,175,579 and \$4,813,301 at September 30, 2024 and 2023, respectively)	4,187,189	4,973,862
	<u>294,317,753</u>	<u>308,626,142</u>
Restricted equity securities, at cost	2,113,153	2,121,353
Loans held for sale	-	-
Loans held for investment	856,649,274	807,722,236
Less: Allowance for credit losses	12,088,494	12,457,095
Loans, net	<u>844,560,780</u>	<u>795,265,141</u>
NMTC Sub-CDE QLIC Loans	3,465,000	3,500,000
Premises and equipment, net	15,348,076	15,662,389
Interest receivable	8,782,354	7,483,667
Bank owned life insurance	24,794,670	22,366,038
Other real estate owned, net	2,885,875	-
Core deposit intangible	458,504	525,608
Goodwill	6,516,169	6,516,169
Other assets	<u>19,285,423</u>	<u>22,304,331</u>
<b>Total assets</b>	<u><u>1,382,494,217</u></u>	<u><u>1,360,866,549</u></u>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Deposits		
Noninterest-bearing	\$ 459,231,601	\$ 525,733,500
Interest-bearing	608,440,576	562,990,614
Total deposits	<u>1,067,672,177</u>	<u>1,088,724,114</u>
Interest payable	1,133,164	582,507
Other borrowings	34,285,927	41,123,942
Allowance for credit losses on off-balance sheet credit exposures	909,341	755,741
Accrued expenses and other liabilities	6,238,686	5,310,116
<b>Total liabilities</b>	<u>1,110,239,295</u>	<u>1,136,496,421</u>
Stockholders' equity		
Preferred stock, par value of \$0.01. Authorized 250,000 shares; 123,750 shares issued in 2024 and 2023, respectively	123,750,000	123,750,000
Class A common stock, par value \$0.01. Authorized 5,000,000 shares; 3,850,352 and 3,833,777 issued; 3,551,726 and 3,532,695 shares outstanding in 2024 and 2023, respectively	38,504	38,338
Class B common stock, par value \$0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	36,442,645	35,359,447
Retained earnings	143,880,274	116,546,656
Accumulated other comprehensive loss net of tax	(21,080,494)	(40,533,735)
	<u>283,030,929</u>	<u>235,160,706</u>
Less 281,941 and 273,537 treasury shares, at cost, in 2024 and 2023, respectively	9,122,460	8,810,444
Less unvested restricted stock		
and unallocated ESOP shares (66,256 and 83,616 respectively)	<u>1,653,547</u>	<u>1,980,134</u>
<b>Total stockholders' equity</b>	<u>272,254,922</u>	<u>224,370,128</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 1,382,494,217</u>	<u>\$ 1,360,866,549</u>

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
<b>Interest income</b>				
Interest and fees on loans	\$ 14,047,255	\$ 12,971,361	\$ 40,852,326	\$ 36,026,579
Interest on investment securities				
Taxable securities	2,352,974	2,165,143	6,683,723	6,667,252
Nontaxable securities	208,568	226,130	630,115	692,857
Total investment income	2,561,542	2,391,273	7,313,838	7,360,109
Other interest income	1,871,436	1,643,390	6,906,994	4,810,574
<b>Total interest income</b>	<u>18,480,234</u>	<u>17,006,024</u>	<u>55,073,158</u>	<u>48,197,263</u>
<b>Interest expense</b>				
Interest on deposits	3,597,639	1,921,201	9,846,807	4,473,829
Interest on other borrowed funds	204,976	97,770	644,879	295,519
<b>Total interest expense</b>	<u>3,802,615</u>	<u>2,018,971</u>	<u>10,491,686</u>	<u>4,769,348</u>
<b>Net interest income</b>	14,677,619	14,987,053	44,581,472	43,427,915
<b>Provision for credit losses</b>	1,825,000	375,000	2,415,000	866,372
<b>Net interest income after provision for credit losses</b>	<u>12,852,619</u>	<u>14,612,053</u>	<u>42,166,472</u>	<u>42,561,543</u>
<b>Noninterest income</b>				
Service charges and fees	2,069,209	1,680,343	5,642,491	4,871,386
CDFI award income	-	-	-	717,900
New market tax credit sub-allocation and placement fees	-	799,445	1,140,000	1,931,945
Consulting and asset management fees	-	16,200	208,084	119,745
Investment securities gains (losses), net	-	-	(37,832)	(48,206)
Mortgage loan and related fees	-	28,526	6,417	85,161
Other	2,118,078	738,727	6,401,937	2,287,441
<b>Total noninterest income</b>	<u>4,187,288</u>	<u>3,263,241</u>	<u>13,361,097</u>	<u>9,965,372</u>
<b>Noninterest expense</b>				
Salaries and benefits	5,136,424	4,587,140	15,087,098	13,633,766
Net occupancy expense	974,842	839,778	3,213,809	2,512,054
Other	3,562,557	3,206,586	10,791,763	9,116,303
<b>Total noninterest expense</b>	<u>9,673,823</u>	<u>8,633,504</u>	<u>29,092,670</u>	<u>25,262,123</u>
<b>Income before income tax expense</b>	7,366,083	9,241,792	26,434,899	27,264,793
<b>Income tax expense</b>	1,799,049	2,095,196	5,960,893	6,112,471
<b>Net income</b>	<u>5,567,035</u>	<u>7,146,596</u>	<u>20,474,006</u>	<u>21,152,322</u>
Preferred Stock Dividends	-	-	(433,125)	-
<b>Net income available to common shareholders</b>	<u>\$ 5,567,035</u>	<u>\$ 7,146,596</u>	<u>\$ 20,040,881</u>	<u>\$ 21,152,322</u>
Basic earnings per common share	\$ 1.57	\$ 1.99	\$ 5.63	\$ 5.88
Basic weighted-average shares outstanding	3,551,089	3,583,339	3,557,427	3,599,126
Diluted earnings per common share	\$ 1.57	\$ 1.99	\$ 5.63	\$ 5.88
Diluted weighted-average shares outstanding	3,551,089	3,583,339	3,557,427	3,599,126
Cash dividend declared per share	\$ -	\$ -	\$ 0.50	\$ 0.25

# United Bancorporation of Alabama, Inc.

## Quarterly Comparison

	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023
<b>Equity</b>					
Tier One Leverage	20.26%	19.79%	19.16%	18.84%	19.19%
Tier One Capital	28.41%	26.03%	25.97%	25.75%	25.05%
Equity to Total Assets	19.69%	18.72%	18.17%	17.96%	16.53%
<b>At Month End</b>					
Loans, held for investment	856,649,274	843,607,462	825,340,286	811,947,933	807,722,236
Total Deposits	1,067,672,177	1,080,324,345	1,092,794,783	1,089,917,587	1,088,724,114
Total Assets	1,382,494,217	1,384,408,020	1,393,817,052	1,390,125,766	1,360,866,549
<b>Earnings &amp; Performance Ratios</b>					
Net Income	5,567,035	8,011,100	6,277,121	10,389,514	7,146,596
Net Interest Margin	4.52%	4.47%	4.54%	4.68%	4.69%
Return on Average Equity	8.35%	12.63%	10.06%	17.61%	12.41%
Return on Average Assets	1.60%	2.37%	1.80%	3.00%	2.10%
Earnings per Share	1.57	2.26	1.75	2.95	1.99
Weighted Avg Shares Outstanding	3,551,089	3,543,730	3,577,753	3,527,632	3,583,339