

United Bancorporation of Alabama, Inc.

Contact: Leigh Anne Russell Jones
EVP, Chief Financial Officer
(251) 446-6165 /leighanne.jones@unitedbank.com

July 26, 2024

For Immediate Release

United Bancorporation of Alabama, Inc. Announces Second Quarter Earnings

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

United Bancorporation of Alabama, Inc. ("United") reported net income of \$14.3 million for the six months ended June 30, 2024, compared to net income of \$14.0 million for the same period last year. Earnings per share for the six-month period were \$4.01 compared to \$3.88 for the same period in 2023. Net income for the three months ended June 30, 2024, was \$8.0 million as compared to \$7.3 million for the second quarter 2023. Earnings per share for the three-month period were \$2.26 versus \$2.02 for the same period in 2023.

Balance Sheet

United total assets of \$1.4 billion as of June 30, 2024, an increase of \$33.0 million or 2.4% from the prior year.

Cash and short-term investments totaled \$184.0 million, which is an increase of \$15.2 million or 9.0% from the same period last year. Cash and cash equivalents to total assets ratio was 13.3%. Securities totaled \$288.5 million at the end of June, a decrease of \$37.7 million or 11.5% from the second quarter in 2023.

Total loans held for investment as of June 30, 2024, were \$843.6 million compared to \$789.4 million as of June 30, 2023, representing an increase of \$54.3 million or 6.9%. Growth was fueled by commercial and real-estate lending.

The allowance for credit losses (ACL) of \$12.3 million was the same for both periods. The current allowance to loans coverage ratio was 1.46%.

Other real estate increased by \$1.6 million due to the reclassification of three bank owned properties. Additional bank owned life insurance was purchased in September 2023 resulting in a \$1.3 million year-over-year increase. A reduction in deferred tax assets caused a year-over-year decline of \$528,104 in other assets.

Deposits totaled \$1.08 billion as of June 30, 2024, compared to \$1.1 billion for the same period the prior year, a decrease of \$18.1 million or 1.6%. USDA Community Facility draws increased other borrowings by \$16.1 million to \$34.6 million. The off-balance sheet allowance for credit exposure totaled \$909,341 at the end of the quarter.

Capital

Year-over-year, total stockholder's equity increased \$32.1 million to \$259.2 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 June 30, 2024, the accumulated other comprehensive loss was \$28.2 million, a decrease of \$5.4 million or 16.0% from June 2023.

Unrealized gains and losses are not included in regulatory capital calculations. As of June 30, 2024, United's tier one leverage ratio, tier one capital ratio and equity to total assets were approximately 19.79%, 26.00% and 18.72%.

Operating Results

Year-to-date through June 30, 2024, net interest income before the provision was \$29.3 million compared to \$28.4 million a year ago, an increase of \$844,239 or 3.0%. Year-to-date interest and fees on loans increased \$3.7 million and securities income declined by \$216,538 over the same period last year. Income from interest-bearing deposits increased \$1.9 million year-over-year. Year-over-year interest expense grew 165.7% or \$4.6 million to \$7.3 million.

Year to date earning asset yield increased 0.63% to 5.67% and the yield on interest-bearing liabilities increased 1.40% to 2.34% over the same period in 2023. The cost of funds for the six months ended June 30, 2024, was 1.31% as compared to 0.50% for same period in 2023. Despite the substantially higher cost of funds, the net interest margin of 4.56% experienced only a slight decrease when compared to the first six months of 2023.

The second quarter 2024 earning asset yield expanded 0.51% to 5.63% over 2023's second quarter. For the same comparison period, interest bearing liabilities increased by 1.29% to 2.39%. When compared to the previous quarter the yield on interest bearing liabilities grew by 0.20% marking a slowdown in the rate of increase. The cost of funds was 1.37% for second quarter 2024 as opposed to 0.59% for second quarter 2023. Net interest margin for the second quarter 2024 was 4.47%, which is 0.14% less than the margin in second quarter 2023.

The provision for credit losses for the six months ended June 30, 2024, was \$590,000 compared to \$491,372 for same period last year. The provision for the second quarter 2024 was \$300,000 compared to \$220,000 for the second quarter 2023.

2024 year-to-date non-interest income was \$9.2 million as compared to \$6.7 million for the same period in 2023. Second quarter 2024 non-interest income of \$6.7 million included New Market Tax Credit (NMTC) transaction fees of \$1.1 million, syndication fees of \$200,940, and revenue of \$2.4 million from the unwind of a NMTC transaction. Service charges and fees experienced slight year-over-year increases.

For the six months ended June 30, 2024, non-interest expense was \$19.4 million as compared to \$16.6 million for the same period last year, an increase of \$2.8 million or 16.8%. Second quarter 2024 non-interest expense was \$1.9 million or 22.93% more than the same quarter in 2023. Several projects along with system and hardware upgrades have elevated technology and consulting expenses by approximately \$1.0 million in the first half of the year. Write downs on other real estate resulted in additional expense of \$319,097 during the quarter. Year-to-date salaries and benefits were \$904,093 or 10.0% more than for the same period in 2023.

Credit Quality

As of June 30, 2024, nonaccrual and non-performing loans were \$9.9 million and \$15.3 million, respectively. Year-over-year, nonaccrual loans increased \$2.6 million and nonperforming assets by \$7.3 million. Compared to the most recent quarter, nonaccrual loans grew \$6.7 million and nonperforming assets by \$8.4 million. Three relationships comprise most of the nonaccrual loan growth. As of June 30, 2024 both modifications to borrowers experiencing financial difficulty and other real estate were \$2.3 million and \$1.6 million, respectively.

United will host a conference call on August 14, 2024, at 10:00 am (CST) to discuss second quarter 2024 performance. To register for the conference call:

https://unitedbank.zoom.us/webinar/register/WN_7rMxlwArQG6Bg9VMlzJQeA

##

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 three subsidiaries: United Bank, Town-Country United Bank and UB Community Development. United Bank is also designated as a CDFI and operates 22 locations across five counties. Town-Country United Bank serves Wilcox County and its surrounding 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, 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>June 30</u> <u>2024</u>	<u>June 30</u> <u>2023</u>
<u>Assets</u>		
Cash and due from banks	\$ 27,940,357	\$ 44,126,464
Interest-bearing deposits in banks	139,356,305	114,270,820
Federal funds sold	16,750,000	10,425,000
Cash and short term investments	184,046,662	168,822,284
Investment in subsidiaries	1,505,047	1,854,897
Securities available for sale, at fair value (amortized cost of \$321,289,858 and \$363,864,687 at June 30, 2024 and 2023, respectively)	283,687,374	319,083,355
Securities held to maturity, at amortized cost (fair value of \$4,718,518 and \$6,978,058 at June 30, 2024 and 2023, respectively)	4,781,759	7,047,112
	<u>288,469,133</u>	<u>326,130,467</u>
Restricted equity securities, at cost	2,113,153	1,849,653
Loans held for sale	-	247,474
Loans held for investment	843,607,462	789,361,753
Less: Allowance for credit losses	12,279,479	12,257,827
Loans, net	<u>831,327,983</u>	<u>777,103,926</u>
NMTC Sub-CDE QLIC Loans	3,465,000	3,500,000
Premises and equipment, net	14,025,894	15,969,858
Interest receivable	8,766,597	7,449,565
Bank owned life insurance	22,844,384	21,545,184
Other real estate owned, net	1,556,304	-
Core deposit intangible	475,280	542,384
Goodwill	6,516,169	6,516,169
Other assets	19,296,415	19,824,519
	<u>1,384,408,020</u>	<u>1,351,356,379</u>
<u>Liabilities and Stockholders' Equity</u>		
Deposits		
Noninterest-bearing	\$ 469,048,663	\$ 533,748,768
Interest-bearing	611,275,682	564,694,751
Total deposits	<u>1,080,324,345</u>	<u>1,098,443,519</u>
Interest payable	1,075,507	436,922
Other borrowings	34,582,077	18,500,380
Allowance for credit losses on off-balance sheet credit exposures	909,341	755,741
Accrued expenses and other liabilities	8,342,467	6,117,883
Total liabilities	<u>1,125,233,737</u>	<u>1,124,254,445</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; 3,845,791 and 3,831,378 issued; 3,548,065 and 3,605,296 shares outstanding in 2024 and 2023, respectively	38,458	38,314
Class B common stock, par value \$0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	36,265,315	35,267,710
Retained earnings	138,140,385	109,400,060
Accumulated other comprehensive loss net of tax	(28,201,858)	(33,585,997)
	<u>269,992,300</u>	<u>234,870,087</u>
Less 281,941 and 198,537 treasury shares, at cost, in 2024 and 2023, respectively	9,122,460	5,742,944
Less unvested restricted stock		
and unallocated ESOP shares (66,256 and 83,616 respectively)	1,695,557	2,025,209
Total stockholders' equity	<u>259,174,283</u>	<u>227,101,934</u>
Total liabilities and stockholders' equity	<u>\$ 1,384,408,020</u>	<u>\$ 1,351,356,379</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Interest income				
Interest and fees on loans	\$ 13,475,231	\$ 11,896,425	\$ 26,805,069	\$ 23,055,216
Interest on investment securities				
Taxable securities	2,228,644	2,202,029	4,330,749	4,502,108
Nontaxable securities	210,937	226,514	421,547	466,726
Total investment income	2,439,581	2,428,543	4,752,296	4,968,834
Other interest income	2,423,929	1,629,814	5,035,556	3,167,187
Total interest income	<u>18,338,741</u>	<u>15,954,782</u>	<u>36,592,921</u>	<u>31,191,237</u>
Interest expense				
Interest on deposits	3,353,657	1,506,690	6,249,170	2,552,628
Interest on other borrowed funds	520,574	99,182	1,058,650	197,748
Total interest expense	<u>3,874,231</u>	<u>1,605,872</u>	<u>7,307,820</u>	<u>2,750,376</u>
Net interest income	14,464,510	14,348,910	29,285,100	28,440,861
Provision for credit losses	300,000	220,000	590,000	491,372
Net interest income after provision for credit losses	<u>14,164,510</u>	<u>14,128,910</u>	<u>28,695,100</u>	<u>27,949,489</u>
Noninterest income				
Service charges and fees	1,891,019	1,625,542	3,573,282	3,191,043
CDFI award income	-	717,900	-	717,900
New market tax credit sub-allocation and placement fees	1,140,000	432,500	1,140,000	1,132,500
Consulting and asset management fees	200,940	90,000	208,084	90,000
Investment securities gains (losses), net	(37,832)	-	(37,832)	(48,206)
Mortgage loan and related fees	6,417	39,384	6,417	56,634
Other	3,495,481	802,166	4,283,864	1,530,157
Total noninterest income	<u>6,696,025</u>	<u>3,707,492</u>	<u>9,173,814</u>	<u>6,670,028</u>
Noninterest expense				
Salaries and benefits	5,074,512	4,625,601	9,950,718	9,046,625
Net occupancy expense	1,438,864	822,411	2,238,967	1,672,277
Other	3,987,379	3,093,849	7,229,164	5,908,624
Total noninterest expense	<u>10,500,755</u>	<u>8,541,861</u>	<u>19,418,849</u>	<u>16,627,526</u>
Income before income tax expense	10,359,780	9,294,541	18,450,066	17,991,992
Income tax expense	2,348,680	2,014,765	4,161,845	3,986,265
Net income	<u>8,011,100</u>	<u>7,279,776</u>	<u>14,288,221</u>	<u>14,005,727</u>
Net income available to common shareholders	<u>\$ 8,011,100</u>	<u>\$ 7,279,776</u>	<u>\$ 14,288,221</u>	<u>\$ 14,005,727</u>
Basic earnings per common share	\$ 2.26	\$ 2.02	\$ 4.01	\$ 3.88
Basic weighted-average shares outstanding	3,543,730	3,608,872	3,560,648	3,607,150
Diluted earnings per common share	\$ 2.26	\$ 2.02	\$ 4.01	\$ 3.88
Diluted weighted-average shares outstanding	3,543,730	3,608,872	3,560,648	3,607,150
Cash dividend declared per share	<u>\$ 0.50</u>	<u>\$ 0.25</u>	<u>\$ 0.50</u>	<u>\$ 0.25</u>

United Bancorporation of Alabama, Inc.

Quarterly Comparison

	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
Equity					
Tier One Leverage	19.79%	19.16%	18.84%	19.19%	19.17%
Tier One Capital	26.03%	25.97%	25.75%	25.05%	24.94%
Equity to Total Assets	18.72%	18.17%	17.96%	16.53%	16.83%
At Month End					
Loans, held for investment	843,607,462	825,340,286	811,947,933	807,722,236	789,361,753
Total Deposits	1,080,324,345	1,092,794,783	1,089,917,587	1,088,724,114	1,098,443,519
Total Assets	1,384,408,020	1,393,817,052	1,390,125,766	1,360,866,549	1,353,208,005
Earnings & Performance Ratios					
Net Income	8,011,100	6,277,121	10,389,514	7,146,596	7,279,776
Net Interest Margin	4.47%	4.54%	4.68%	4.69%	4.61%
Return on Average Equity	12.63%	10.06%	17.61%	12.41%	12.90%
Return on Average Assets	2.37%	1.80%	3.00%	2.10%	2.02%
Earnings per Share	2.26	1.75	2.95	1.99	2.02
Weighted Avg Shares Outstanding	3,543,730	3,577,753	3,527,632	3,583,339	3,608,872

United Bank

Quarterly Comparison

	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
At Month End					
Loans, held for investment	788,759,033	769,768,882	753,078,200	746,521,165	726,393,493
Total Deposits	1,005,865,894	1,009,068,036	1,004,574,709	1,010,214,559	1,016,585,707
Total Assets	1,183,284,799	1,190,084,370	1,179,289,568	1,162,267,868	1,146,972,429
Earnings					
Net Income	4,806,864	5,632,627	8,913,757	5,680,457	5,845,529
Net Interest Margin	4.55%	4.60%	4.70%	4.63%	4.56%
Equity					
Tier One Leverage	13.37%	12.88%	12.48%	12.33%	12.23%
Tier One Capital	17.56%	17.48%	17.19%	16.16%	15.89%
Equity to Total Assets	11.80%	11.37%	11.13%	9.35%	9.50%
Cost of Funds					
United Bank Cost of Funds	1.15%	0.97%	0.80%	0.59%	0.48%
AL Banks Peers Cost of Funds	n/a	1.96%	1.83%	1.62%	1.34%



Quarterly Comparison

	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
At Month End					
Loans, held for investment	56,690,608	57,413,583	60,711,912	63,043,250	64,810,439
Total Deposits	91,840,131	95,099,657	97,423,042	105,958,188	97,061,244
Total Assets	119,898,069	122,880,429	124,943,907	124,528,831	123,545,541
Earnings					
Net Income	250,935	281,299	263,212	406,281	494,633
Net Interest Margin	4.11%	4.26%	4.16%	4.97%	4.87%
Equity					
Tier One Leverage*	21.15%	20.33%	19.78%	21.08%	20.22%
Equity to Total Assets	22.85%	22.05%	21.61%	20.15%	20.73%

* Elected CBLR.