

United Bancorporation
of Alabama, Inc.



2023 ANNUAL REPORT



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A WORD FROM OUR PRESIDENT, MIKE VINCENT



Mike Vincent
President and CEO

United Bancorporation had a tremendous year in 2023. Both of our banking subsidiaries, United Bank and Town Country United Bank, excelled in a year marked with further interest rate increases as the Federal Reserve continued in their battle to curb inflation. Eleven rate increases over a seventeen-month period created an unstable banking environment. Our performance is an example of what a financial institution can do if it maintains a responsible business model, is responsive to changing market conditions, and is nimble enough to creatively meet the needs of a very diverse customer base across multiple market areas.

Engaging Employees to Drive Success

Banking products and services are largely homogeneous in nature. The key differentiator in any organization is the employees. It is imperative that there is mutual trust within an organization if we are to achieve our maximum potential. A visit to any of our branches will affirm our commitment to a workforce that is engaged, empowered, and dedicated to serving our customers and communities. Satisfied and fulfilled employees make for satisfied customers and ultimately, satisfied shareholders. We are proud to once again be named as one of the Best Companies to Work For in Alabama by Business Alabama. This designation does not happen by accident. Only by being intentional in listening to our people and creating a culture centered around collaboration and communication do we build mutual trust.

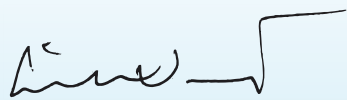
Community Development Leader

United has always enjoyed a strong relationship with the communities that we serve. We maintain these relationships not only through our branch network, but through an emphasis on employee community involvement and superior customer service. We continue to bring economic vitality to the people of Alabama and Northwest Florida through our Community Development Financial Institution (CDFI) initiatives. Whether it be a new manufacturing facility in our area, made possible by a New Market Tax Credit allocation, or an affordable housing facility financed in part by a Capital Magnet Fund grant, United has become a leader in the Southeast by leveraging awards to drive commercial growth and development in our area.

Committed to Our Shareholders

Rewarding our shareholders for their trust and support is always a top priority. We want our shareholders to know that their support is not just a monetary investment in our bank, but also an investment in positive change in our community. I am proud to see the unbelievable talent of our people continue to be utilized in Alabama, Florida, and beyond. From technology enhancements to streamlining the banking experience, we want shareholders to see how their investment is shaping a greater future.

I encourage you to take a look at our 2023 Annual Report and see how United is using our storied past to build a better tomorrow.



Mike Vincent, President and CEO



Finalist for Best Companies To Work For
Small/Medium Category
(15–249 U.S. Employees)



#43 American Banker Magazine 2023
Best Banks to Work For



#40 American Banker Magazine 2023
Top 200 Community Bank

CULTIVATING AN INCLUSIVE WORKPLACE

Women represent 74% of the workforce at United. Consequently, it is dedicated to fostering an inclusive, innovative, and supportive environment for women in the workplace. We recognize unique contributions and perspectives and strive to create opportunities for professional growth and advancement. Our culture empowers women to be successful, assume leadership, and make a positive impact in their careers and communities.

United Bank was named a 2023 Leading Workplace for Women Honoree by the Girl Scouts of Southern Alabama.



Top: Pace, Florida Branch Manager Lechia Froman (right) was named Woman of the Year by the Pace Chamber of Commerce. Bottom: SVP, Human Resources Manager Jessica Lowell was named a Mobile Leading Lady Honoree by the Girl Scouts of Southern Alabama.



DEDICATED TO SMALL BUSINESSES

Small business owners are the cornerstone of the communities we serve. United continues its unwavering support of small business owners with effective business solution products.

In 2023, United made 320 loans to small businesses and farmers, totaling \$62.2 million. In pursuit of its community development mission, United made 123 loans to underserved businesses and farms totaling \$7.8 million. Underserved businesses are either low-income, minority owned, or have revenues of less than \$100,000.

\$62.2 million

small business loans
originated in 2023



Holley House - Brewton



Alligator Alley - Summerdale



Cassebaum Farms - Lillian

2023 COMMUNITY DEVELOPMENT

POSITIVE IMPACT ACROSS OUR FOOTPRINT

In 2023, United received over \$15 million in Community Development Financial Institution (CDFI) awards. These funds play a pivotal role in transforming rural and low-income communities throughout Alabama and the panhandle of Florida. The funds enable United to offer affordable loans and financial education to families and small businesses allowing them to grow and prosper.

United received a Capital Magnet Fund award of \$9 million to be used to construct or rehabilitate multifamily housing. It also received \$4.9 million for Equitable Recovery Program (ERP) to aid those communities most devastated by the COVID-19 pandemic. The \$717,900 Financial Assistance (FA) award will be leveraged to make purchasing single family housing more affordable. The Bank Enterprise Award (BEA) of \$437,350 supports a wide range of activities across United's low-to-moderate communities.

Capital Magnet
Fund

\$9 million

Equitable Recovery
Program

\$4.9 million

Financial
Assistance

\$717,900

Bank Enterprise
Award

\$437,350

UB Community Development

New Markets Tax Credit

Funding small businesses and financing projects related to manufacturing, education, healthcare, retail, non-profits and community centers.

Community Housing Capital

Financing to support the development and preservation of affordable housing for low and moderate-income individuals and families, through innovative partnerships with communities, developers, investors, and housing finance agencies.

Community Facilities Lending

Funding for rural areas to assist in public facilities that offer education, healthcare, public safety, and other critical services.

Bringing much needed financial resources to communities in the Southeast.

In 2023, UBCD focused on advancing its project development with notable progress and achievements. We successfully utilized funding solutions and services to address job creation, affordable housing, and healthcare access in our footprint. Through strategic collaborations and effective approaches, we made significant strides toward our mission of creating sustainable and impactful change in rural and underserved communities.



2023 FEATURED PROJECTS



Legacy Trail Apartments Semmes, Alabama

The Semmes development has 56 units of much-needed affordable senior housing within steps of the town's central business district and new city hall. The project is a mix of one- and two-bedroom units serving residents 55 and older.



Alabama School of Math & Science Mobile, Alabama

This new facility on the campus of the Alabama School of Math & Science is a 32,000 square foot research center, giving students access to an innovative laboratory. The flexible space will support opportunities for collaborative learning and seeks to capitalize on job growth in science, technology, engineering, and mathematics (STEM) fields.



ECORE International Ozark, Alabama

ECORE purchased a shuttered door manufacturing facility and converted it into a 25,000-square foot facility to upcycle used truck tires into needed raw materials. It is also a distribution point for manufactured materials for their customers in the Southern United States.

2023 FINANCIAL REPORT

BALANCE SHEET

United Bancorporation of Alabama, Inc. ("United") reported net income of \$31.5 million for the twelve months ended December 31, 2023, compared to net income of \$18.6 million for the same period last year. Earnings per share for the twelve month period was \$8.81 compared to \$5.11 for the same period in 2022.

United's total assets of \$1.4 billion on December 31, 2023 remained relatively unchanged from the prior year.

Cash and short term investments totaled \$236.4 million, which is an increase of \$61.6 million from the previous quarter, but \$44.2 million or 15.8% less than a year ago. The year-over-year decline is credited to a temporary increase in deposits in the fourth quarter of 2022.

United repositioned its securities portfolio, selling \$77.6 million in bonds during the quarter for a loss of \$6.8 million. UB intends to reinvest at higher yielding assets. Year-over-year the securities portfolio decreased \$66.4 million or 19.7%. Securities account for 19.5% of total assets.

Total loans held for investment as of December 31, 2023, were \$811.9 million compared to \$722.5 million as of December 31, 2022, representing an increase of \$89.4 million or 12.4%. Growth was fueled by commercial and real-estate lending.

As of December 31, 2023, the allowance for credit losses (ACL) was \$11.6 million. Despite charged off loans of \$1.4 million, the allowance to loans coverage ratio was a healthy 1.4%.

BALANCE SHEET

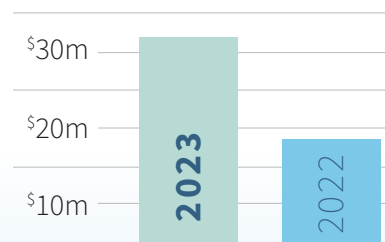
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United reclassified \$1.1 million in property to other real estate thereby reducing net premises and equipment \$2.7 million. A \$3.0 million investment increased other assets by \$3.1 million year-over-year.

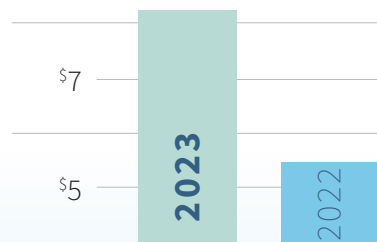
Deposits totaled \$1.09 billion as of December 31, 2023, compared to \$1.2 billion for the same period the prior year, a decrease of \$79.1 million or 6.8%. In 2022, non interest bearing deposits experienced a temporary increase of \$68.7 million at year end. In a year-over-year comparison without the temporary deposit, non interest bearing deposits were flat. Interest bearing deposits declined \$10.3 million or 6.8%. This decline was offset by an increase of \$22.2 million in borrowings from the USDA Community Facility Relending program, which carries an interest rate of 2.375%.

The off balance sheet ACL, which provides an allowance for unfunded commitments, totaled \$909,341 at year end. Accrued expenses and liabilities were \$2.5 million or 39.1% more than the prior year due to increases in accounts payable and accrued expenses.

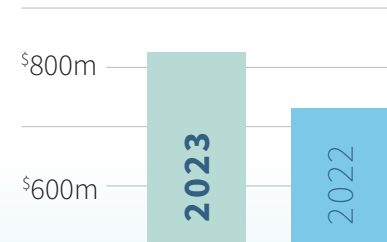
NET INCOME



EARNINGS PER SHARE



TOTAL LOANS



OPERATING RESULTS

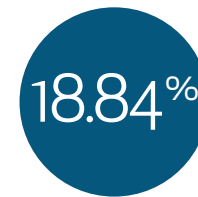
Year-to-date through December 31, 2023 net interest income before the provision was \$58.8 million compared to \$43.4 million a year ago, an increase of \$15.4 million or 35.4%. Year-to-date interest and fees on loans increased \$12.2 million and securities income increased \$3.1 million over the same period last year. Similarly, income from interest-bearing deposits increased \$3.8 million year-over-year.

Earning asset yield increased year-over-year 1.21% to 5.22% for 2023. Interest expense of \$7.4 million was double that of 2022. The yield on interest-bearing liabilities increased 65 bps year-over-year to 1.25% for 2023. The cost of funds for 2023 was 67 bps as compared to 33 bps for 2022. The result being 4.65% net interest margin for the twelve months ended December 31, 2023.

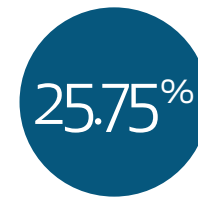
The provision for credit losses for the twelve months ended December 31, 2023, was \$1.1 million compared to \$2.0 million for same period last year.

Non interest income for 2023 was \$27.8 million as compared to \$14.6 million for 2022. CDFI award income of \$15.1 million accounted for over half of this. During the year United received a Financial Assistance (FA) award of \$717,900, Equitable Recovery Program (ERP) of \$4.9 million, Capital Magnet Fund (CMF) of \$9 million, and Bank Enterprise Award (BEA) of \$437,350. In addition UBCD was awarded \$65 million in New Market Tax Credit (NMTC) allocation.

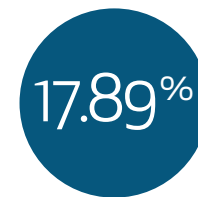
For the twelve months ended December 31, 2023 non-interest expense was \$44.5 million as compared to \$31.9 million for the same period last year, an increase of \$12.5 million or 39.22%. Securities losses of \$6.8 million contributed to the increase along with salaries and benefits and technology expenses.



TIER ONE
LEVERAGE RATIO



TIER ONE
CAPITAL RATIO



EQUITY TO
TOTAL ASSETS

Performance Metrics	12/31/23	12/31/22	12/31/21	12/31/20
Loans, held for investment	\$811,947,933	\$722,515,490	\$657,155,493	\$526,285,086
Total Deposits	\$1,089,852,744	\$1,169,037,804	\$982,730,709	\$868,879,616
Total Assets	\$1,389,987,020	\$1,407,236,616	\$1,120,942,816	\$988,707,713
Net Income	\$31,541,135	\$18,684,708	\$18,533,046	\$12,170,237
Earnings per Share	\$8.81	\$5.11	\$4.87	\$3.22
Net Interest Margin	4.65%	3.71%	3.49%	3.53%
Return on Average Equity	13.92%	12.25%	17.68%	13.36%
Tier One Leverage Ratio	18.84%	18.00%	9.82%	11.43%
Equity to Asset Ratio	17.89%	15.11%	9.79%	9.80%



Performance Metrics	12/31/23	12/31/22	12/31/21	12/31/20
Loans, held for investment	\$753,078,200	\$656,482,556	\$594,068,473	\$528,127,265
Total Deposits	\$1,004,574,709	\$1,071,693,386	\$867,411,140	\$875,767,178
Total Assets	\$1,179,293,483	\$1,187,676,213	\$976,558,028	\$972,073,697
Net Income	\$25,572,676	\$14,200,569	\$16,815,071	\$11,896,698
Tier One Leverage Ratio	12.48%	10.77%	9.34%	8.94%



Performance Metrics	12/31/23	12/31/22	12/31/21
Loans, held for investment	\$60,711,912	\$67,875,113	\$64,929,199
Total Deposits	\$97,358,199	\$105,168,675	\$117,556,660
Total Assets	\$124,879,064	\$130,092,207	\$135,757,614
Net Income	\$1,716,991	\$1,857,688	\$701,228
Tier One Leverage Ratio	19.78%	19.29%	8.71%

ASSETS

	December 31, 2023	December 31, 2022
Cash and due from banks	\$45,450,436	\$43,476,905
Interest bearing deposits in banks	175,406,200	225,621,463
Federal funds sold	15,550,000	11,584,193
Cash and short term investments	236,406,636	280,682,561
Investment in subsidiaries	1,724,474	2,104,039
Securities available for sale, at fair value (amortized cost of \$300,498,373 and \$375,665,760 at December 31, 2023 and 2022, respectively)	266,052,697	328,610,919
Securities held to maturity, at amortized cost (fair value of \$4,776,158 and \$8,583,391 at December 31, 2023 and 2022, respectively)	4,796,239	8,684,231
Restricted equity securities, at cost	2,121,353	1,746,353
Loans held for investment	811,947,933	722,515,490
Less: Allowance for credit losses	11,628,356	12,104,774
Net loans	800,319,577	710,410,716
NMTC Sub-CDE QLICI Loans	3,465,000	3,500,000
Premises and equipment, net	13,839,180	16,947,680
Interest receivable	8,267,365	6,257,567
Bank owned life insurance	22,528,245	21,261,627
Other real estate owned, net	1,100,000	-
Core deposit intangible	508,832	575,936
Goodwill	6,516,169	6,516,169
Other assets	22,341,253	19,938,818
Total assets	\$1,389,987,020	\$1,407,236,616

LIABILITIES

December 31, 2023 December 31, 2022

Deposits

Non-interest bearing	\$513,760,135	\$582,600,867
Interest bearing	576,092,609	586,436,937
Total deposits	1,089,852,744	1,169,037,804

Interest Payable	788,250	176,652
Other borrowings	40,792,438	18,939,069
Allowance for credit losses on off-balance sheet credit exposures	909,341	-
Accrued expenses and other liabilities	9,008,263	6,476,307
Total liabilities	\$1,141,351,036	\$1,194,629,832

STOCKHOLDERS' EQUITY

	December 31, 2023	December 31, 2022
Preferred stock of \$.01 par value. Authorized 250,000 shares; 123,750 and 123,750 shares issued, in 2023 and 2022, respectively	\$123,750,000	\$123,750,000
Class A common stock, \$0.01 par value. Authorized 5,000,000 shares; 3,833,777 and 3,819,684 issued; 3,536,055 and 3,603,602 shares outstanding in 2023 and 2022, respectively	38,338	38,197
Class B common stock, \$0.01 par value. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	35,731,789	34,837,882
Retained earnings	125,622,945	96,560,279
Accumulated other comprehensive income (loss), net of tax	(25,834,256)	(35,291,130)
	259,308,816	219,895,228
Less 281,037 and 188,537 treasury shares, at cost, in 2023 and 2022, respectively	9,084,944	5,395,444
Less unvested restricted stock and unallocated KSOP shares (66,257 and 83,615 respectively)	1,587,888	1,893,000
Total stockholders' equity	248,635,984	212,606,784
Total liabilities and stockholders' equity	\$1,389,987,020	\$1,407,236,616

CONSOLIDATED STATEMENTS OF INCOME

	12 months ended, December 31	
	2023	2022
INTEREST INCOME		
Interest and fees on loans	\$49,137,083	\$36,947,532
Interest on investment securities		
Taxable	8,662,918	5,456,920
Nontaxable	918,620	1,002,281
Total investment income	9,581,538	6,459,201
Other interest income	7,468,104	3,671,385
Total interest income	\$66,186,725	\$47,078,118
INTEREST EXPENSE		
Interest on deposits	\$6,863,008	\$3,050,512
Interest on other borrowings and note payable	564,392	635,530
Total interest expense	7,427,400	3,686,042
Net interest income	58,759,325	43,392,076
Provision for credit losses	1,115,294	2,051,016
Net interest income after provision for credit losses	\$57,644,031	\$41,341,060

NON-INTEREST INCOME	12 months ended, December 31	
	2023	2022
Service charges and fees	\$6,601,942	\$6,448,452
CDFI Award Income	15,112,928	994,485
New Markets Tax Credit sub-allocation and placement fees	2,466,945	2,593,333
Consulting & Asset Management Fees	221,625	428,450
Mortgage loan and related fees	107,765	425,752
Other	3,337,229	3,772,959
Total non-interest income	\$27,848,434	\$14,663,431

NON-INTEREST EXPENSE

Salaries and benefits	\$19,236,281	\$17,201,457
Net occupancy expense	3,360,687	3,546,532
Investment securities losses, net	6,804,110	-
Other	15,124,336	11,232,900
Total non-interest expense	44,525,414	31,980,889
Income before income tax expense	40,967,051	24,023,602
Income tax expense	9,425,916	5,338,894
Net income	31,541,135	18,684,708
Net income available to common shareholders	\$31,541,135	\$18,684,708
Basic earnings per common share	\$8.81	\$5.11
Basic weighted-average shares outstanding	3,580,793	3,654,605
Diluted earnings per common share	\$8.81	\$5.11
Diluted weighted average shares outstanding	3,580,793	3,654,605

United Bancorporation 
of Alabama, Inc.

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

United Bancorporation 
of Alabama, Inc.

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