United Bancorporation **1** of Alabama, Inc.

UNITED BANK CONNECTING PEOPLE AND RESOURCES

CONNECTING PEOPLE AND RESOURCES TO BUILD SUCCESSFUL, SUSTAINABLE COMMUNITIES IN THE AREAS WE SERVE



Will Ruzic, Executive Director Coastal Gateway Economic Development Alliance walks with Dan Brown of Brown Precision, Inc. and Bob Jones, CEO of United Bank, as they tour the new Brown Precision facility in Atmore, Al. The facility was financed in part by a \$7 million New Market Tax Credit allocation facilitated by UB Community Development (UBCD). Learn more about UBCD on page 8.

from the desk of the CEO

To Our Shareholders,

Wherever I travel—across the state and beyond—I constantly tell people about the unique aspects of United Bancorporation and the ways our organization differs from other traditional financial institutions. At United Bancorporation, we take an innovative triple bottom-line approach, which consists of the following areas: 1) financial performance 2) economic development and 3) community development. This approach builds on a foundation of responsible fiscal stewardship to produce lasting transformative impact in the communities where we live and serve.

In this year's annual report, we have decided to tell the United Bancorporation story in a visual way; to paint a picture of the triple bottom-line approach. In addition to 2017 fiscal information, this report also includes some examples of economic projects completed through UB Community Development, LLC (UBCD), a community development partner of United Bank. Leveraging our 2016 \$65 million New Market Tax Credit allocation and \$40 million Community Facilities Loan Program, UBCD has pioneered economic development in underserved communities, bringing new industry, jobs and services to rural counties across Alabama and beyond. Also outlined in this report is our commitment to elevating communities through charitable giving and partnerships. The United Bank Charitable Foundation, formed in 1997, serves as our charitable arm, providing financial support to community organizations and non-profits in our service area. In this section, you will learn about projects like the Church Street Incubator and GECA Community Theatre—both made possible with funds provided by the United Bank Charitable Foundation.

I hope this report offers valuable insight as to how all three areas of the United Bancorporation business model intersect to produce strong financial performance and to connect people and resources to build successful, sustainable communities in the areas we serve.

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Robert R. Jones III CEO United Bancorporation of Alabama, Inc.

ANNUAL REPORT 2017

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Our dedication to our customers throughout Alabama and northwest Florida is at the heart of everything we do, and is the foundation of our continued prosperity.



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SENIOR MANAGEMENT

Robert R. Jones III President & CEO

Leigh Anne Russell-Jones Chief Financial Officer

Gwen Braden Chief Operations Officer

Justin Jennings Chief Retail Officer

Mike Vincent Chief Credit Officer

Alex Jones President UB Community Development, LLC

BOARD OF DIRECTORS

David D. Swift Sr. Chairman of the Board

Michael R. Andreoli Director

Dale M. Ash Director

Charles D. Cottrell Director - United Bank

L. Walter Crim Director

Robert R. Jones III Director

Richard K. Maxwell Director

Ricky W. Smith Director

TRIPLE BOTTOM LINE

This full-circle approach is designed to sustainably fuel our growth as a financial institution and make a transformative difference in the lives of our customers.



United Bancorporation is pleased to present our 2017 annual report. In this report, you will learn about United Bancorporation's "triple bottom line" approach made up of three areas: 1) strong financial performance 2) economic development and 3) community development. These three areas complete a full-circle approach designed to sustainably fuel our growth as a financial institution and make a transformative difference in the lives of our customers.

Honoring our past and with an eye towards the future, United Bancorporation is dedicated to Alabama and northwest Florida with a passion for connecting people and resources to build successful, sustainable communities in the areas we serve.



Innovation & Impact

Maintaining a number two deposit share in the markets we serve, United Bank is routinely recognized as one of America's strongest banks.

United Bank first opened its doors in January 1904 with paid capital stock of \$15,000. By October of the same year, the bank had assets totaling \$44,668 and our history of growth, prosperity, innovation and elevating communities had begun. The decades that followed were prosperous ones, and in 1982 the holding company United Bancorporation of Alabama, Inc. was formed.

Operating officially as United Bank, during the 1980's new branches opened and a host of technological improvements were made, including ATMs, telephone banking, check imaging and more. The dawn of the 21st century saw continued expansion, with full-service branches opening in multiple locations across south Alabama, and entry into the Florida market in 2005. Maintaining a number two deposit share in the markets we serve, United Bank is routinely recognized as one of America's strongest banks. Our record of strong financial performance continues to grow, and today United Bank operates as a \$597,000,000 financial institution with 18 locations across south Alabama and the Florida panhandle.

United Bank is a Community Development Financial Institution (CDFI), which recognizes the Bank's outreach to create economic development in low-to-moderate income communities. Creating jobs and changing lives through the engine of economic development reached a new benchmark in 2016 when United Bancorporation received \$65 million in New Market Tax Credits. As a result, UB Community Development, LLC (UBCD), a community development



CONTINUED FROM PAGE 5.

partner of United Bank, was formed. UBCD was recently certified by the U.S. Department of Treasury as a Community Development Entity (CDE).

The projects funded through UBCD's New Market Tax Credits and Community Facilities Loan Programs are creating jobs in low-income communities; providing goods, services and housing options; and improving access to quality healthcare and affordable food options. Our experience in structuring, allocating and funding New Market Tax Credit transactions, coupled with our passion for improving the communities around us, make UBCD the region's premier financial partner for rural economic and community development. For the 6th consecutive year, the United States Treasury Department awarded United Bank the 2017 Bank Enterprise Award in recognition of its accomplishments as a Community Development Financial Institution.

Since our humble beginnings more than a century ago, United Bank has made our commitment to the communities we serve our singular mission. Our



dedication to our customers throughout Alabama and northwest Florida is at the heart of everything we do, and is the foundation of our continued prosperity. The United Bank Charitable Foundation was formed in December 1997 to provide financial support to community organizations and non-profits in our service area. The Foundation provides aid to projects such as the Church Street Incubator, which supports local entrepreneurs as they work to get new businesses off the ground. Through the incubator, entrepreneurs receive personal financial education and small business mentoring to help their businesses grow. The Church Street Incubator is one example of the many ways United Bancorporation is working to elevate communities and meet the needs of customers, wherever they are in their financial development.

From simple transactions like opening a checking account for the first time to highly-sophisticated project development deals, United Bancorporation has a diverse portfolio of products and quality customer service to help our customers every step of the way.

UB COMMUNITY DEVELOPMENT

a community development partner of United Bank

UB Community Development, LLC (UBCD) is dedicated to meeting the needs of economically disadvantaged and underserved communities.

UBCD, a community development partner of United Bank, was recently certified by the U.S. Department of Treasury as a Community Development Entity (CDE). This distinction was earned, in part, because of United Bank's demonstrated community involvement, including execution of programs related to financial literacy, homebuyer initiatives and credit building programs. Founded in 1904, United Bank, has a history of providing exceptional customer service and innovative technology to our customers, which has endured the test of time and is at the heart of our continued expansion into new markets.

UBCD's New Market Tax Credit Program is part of a federal tax credit program enacted by Congress in 2000, designed to stimulate private investment in low-income urban neighborhoods and rural communities. In 2016, United Bancorporation of Alabama, Inc. received \$65MM in New Market Tax Credits, and remains the only community development entity headquartered in Alabama to receive the allocation. In 2017, following the successful deployment of more than \$90MM of New Market Tax Credits, UB Community Development received a \$55MM allocation of New Market Tax Credits. This allocation further validates our team's extensive expertise and passion to bring community oriented economic development projects to qualifying areas.

UBCD's New Market Tax Credit Program and its Community Facilities Loan Programs provide funding options for eligible projects located in qualifying census tracts. The qualifying census tracts consist of locations where the individual poverty rate is at least 20 percent or where median family income does not exceed 80 percent of the area median.

Simply put, the New Market Tax Credit allocation allows UBCD to raise capital from private investors in exchange for the rights to claim the tax credits over a 7-year period. The capital raised by investors in exchange for the tax credits is used to provide low-interest loans to qualified businesses in low-income communities.





Brown Precision, Inc. *A Success Story*

Rivercane Industrial Park Atmore, Alabama



AMOUNT OF NMTC ALLOCATION

• \$7 Million

COMMUNITY PROFILE

- Poverty Rate: 25.6%
- Unemployment Rate: 11.7%
- Household Median Income: \$32,330

JOB CREATION

- 100 Permanent Jobs
- 128 Construction Jobs

PROJECT HIGHLIGHTS

- 30,000 square foot manufacturing facility encompassing roughly 27 acres of a 740-acre mixed-use development.
- The property is adjacent to Interstate 65 at Exit 57, in a fast-growing area.
- The project has led to at least \$4 million in infrastructure development by the city and state in addition to bringing a road and utilities to the area for the creation of an industrial business park.
- Brown Precision anticipates an additional \$3 million equipment investment within the first three years of operation.





UBCD is currently using New Market Tax Credits and the Community Facilities Loan Program allocation to fund small businesses and finance projects related to education, healthcare, manufacturing, hospitality, non-profits and community centers. The projects funded through UBCD's New Market Tax Credits and Community Facilities Loan Programs will create jobs in low-income communities, provide goods, services and housing options and ultimately improve access to quality healthcare and affordable food options in low-income areas.

Find additional success stories online at UBCommunityDevelopment.com.



Monroe County Hospital A Success Story

2016 South Alabama Ave Monroeville, Al 36460



AMOUNT OF NMTC ALLOCATION

• \$6 Million

COMMUNITY PROFILE

- · Poverty Rate: 26.1%
- Unemployment Rate: 7.5%
- Household Median Income: \$28,352

JOB CREATION

• 21 new jobs for the hospital, which includes one nurse practitioner job, three nursing positions and two administrative positions.

PROJECT HIGHLIGHTS

- 5000 square foot renovation to oncology department that doubles the number of treatment spaces from 7 to 14 and physician exam rooms from 2 to 4
- Expansion of emergency room from 7 bed unit to 12 to accommodate 18,000 visits per year.
- Monroe County Hospital serves Monroe County in rural blackbelt Alabama.
 The loss of this facility would have resulted in residents having to drive more than 50 miles for emergency medical care and more than 90 miles for oncology services.
- This hospital reaches patients who otherwise would not have readily available access to health care due to the distance either to Mobile or Montgomery.



UNITED BANCORPORATION OF ALABAMA, INC. HAS A PROUD HISTORY OF AGRICULTURE AND FORESTRY FINANCING WHICH EXTENDS BACK OVER 110 YEARS.

United Bank Agri-Finance Services

Starting with our first agriculture loan made in 1904, United Bancorporation has a proud history of agri-business lending and finance services. We have been lending to the agriculture community for over 110 years and plan to continue cultivating our relationships and services in this area for years to come. Our agriculture-related products and services include real estate loans, facility and equipment loans, working lines of credit, agri-business loans and more. As a certified Farm Service Agency Department Lender in Alabama and Florida, United Bank is uniquely equipped to deliver better value and service to local farmers and ag-related businesses.





Investment Partners

Our products and services offer the best value to help businesses grow and families succeed. The return on investment—the difference you make in your community as a shareholder—goes far beyond financial dividends.

Partnering with United Bancorporation as an investor or shareholder means more than just buying shares of a stock in a growing financial institution. Investing in United Bancorporation means real, tangible results that can be seen in every category of our business from financial performance to our employees and transformative impact in the communities we serve. Taking care of our customers, our shareholders, and looking out for the best interest of our communities is ingrained in the way we conduct business every day.

United Bank thrives when our customers and communities do the same. By investing in United Bank through our parent company, United Bancorporation of Alabama, Inc., our shareholders make a real difference, one that can be seen and felt, in the lives of their neighbors and in our communities.

Successful customer experiences begin with a positive employee experience. To further enhance the employee experience and align our staff with the commitment of our investors, the company enhanced the 401(K) plan to include a KSOP. As shareholders of the bank, employees now have a deeper commitment and opportunity to share in the continued success of the corporation.

UNITED BANK CHARITABLE FOUNDATION

The third area of our "triple bottom-line" approach at United Bancorporation is sustainable community development. At United Bancorporation, we understand that bettering the lives of the people in our communities drives our local economies. The United Bank Charitable Foundation, Inc. was formed in December 1997 to provide financial support to community organizations and non-profits in our service area. Two examples of community organizations supported by the United Bank Charitable Foundation are the Church Street Business Incubator and the GECA Community Theatre based in Atmore, Alabama.

CHURCH STREET INCUBATOR

Small business entrepreneurship is a proven strategy for revitalizing rural communities. Business development and entrepreneurship create opportunities for rural people to acquire assets and generate wealth through things like home ownership and enhanced educational opportunities. The Church Street Incubator is set up to aid small businesses and local entrepreneurs as they begin their journey to success. Through the incubator, entrepreneurs receive personal financial education and small business mentoring to help their businesses grow.

GECA COMMUNITY THEATRE

The Greater Escambia Council for the Arts (GECA) is a non-profit organization geared toward spreading its love of the arts with the greater Escambia area. Located in Atmore, GECA currently has a pool of over one hundred actors, trained and untrained, who donate their time and efforts at the GECA Community Theatre to deliver grade-A performances the community has come to know and love.

FOR MORE ON COMMUNITY DEVELOPMENT, VISIT UNITEDBANK.COM/COMMUNITY-LANDING.HTM.



 Our dedication to our customers throughout Alabama and northwest Florida is at the heart of everything we do, and is the foundation of our continued prosperity.





LOANS HELD FOR INVESTMENT

2013: 252.337,059 2014: 260,812,139 2015: 288,627.553 2016: 299,036,101 2017: 347.930.552

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EARNINGS BEFORE INCOME TAXES

2013:	1,762,649
2014:	2,007,739
2015:	4,025,735
2016:	5,167,653
2017:	6,378,012



ASSETS

2013: 486,908,932 2014: 489,394,870 2015: 530,087,350 2016: 558,553,541 2017: 597,748,252



NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS

1,479,150
1,801,739
2,636,817
3,329,416
3,495,312



REVENUE

2013: 21,743,645 2014: 21,937,111 2015: 23,528,748 2016: 24,608,776 2017: 27,385,318



BASIC EPS / STOCK PRICE

2013: 0.62/6.00 2014: 0.75/7.75 2015: 1.10/8.50 2016: 1.38/14.40 2017: 1.4/16.69 2017 ANNUAL REPORT | UNITED BANCORPORATION OF ALABAMA, INC.

PERFORMANCE AT A GLANCE

TOTAL ASSETS

\$597,748,252

While loans grew 16%, total assets increased at a more manageable rate of 7%, ending the year at \$598 million, almost \$40 million more than prior year.

LOANS HELD FOR INVESTMENT

\$347,930,552

During 2017, loans grew 16% from \$299 million to \$348 million. This growth was across all lines of business with no concentration, and was the primary driver in improved earnings. The growth was funded through the redeployment of assets and surplus liquidity.

REVENUE



Revenue comprised of interest on loans and investments along with non-interest income increased 11%. This is a continuation of a positive trend of past periods.

NET EARNINGS BEFORE TAX



The passage of tax reform required entities to adjust deferred tax assets through income. For United Bancorporation, this was a \$1 million additional tax expense (a one-time event). Net earnings before tax increased from \$5.2 million to \$6.4 million a 23% increase in comparative earnings.

BASIC EARNINGS PER SHARE

\$I.44

Basic earnings per share increased 4% from \$1.38 per share to \$1.44 per share. In addition, total return performance for 2017 was 16.89%.

STOCK PRICE



The company declared a 7 cent per share dividend to shareholders of record as of December 31 paid on January 16th, 2018. This dividend is an increase from the historical \$.065 per share. The improved performance of the company supported the increase along with its strong capital position.

THE CORPORATION'S CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES ARE PROVIDED WITHIN THE INVESTOR RELATIONS PAGE AT WWW.UNITEDBANK.COM AND UNITEDBANKANNUAL REPORT.COM.

United Bancorporation 1 of Alabama, Inc.

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ATMORE BAY MINETTE BREWTON EASTERN SHORE CENTRE FLOMATON FOLEY FRISCO CITY JAY LILLIAN LOXLEY MAGNOLIA SPRINGS MILTON MONROEVILLE PACE SILVERHILL SUMMERDALE



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