

2018 **ANNUAL** REPORT



At United Bank, we are proof that business can do well by doing good. It's an untraditional approach in a very traditional business. But at United Bank, it works.

United Bancorporation 
of Alabama, Inc.

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

Dale M. Ash

Charles D. Cottrell

L. Walter Crim

Robert R. Jones III

Richard K. Maxwell

Ricky W. Smith



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FROM THE DESK OF THE CEO

Today, I'm pleased to report that United Bancorporation is a vibrant, growing, and diversified banking franchise. The Corporation currently has 18 traditional bank branches with 21 offices and two wholly owned subsidiaries. Our business model is a powerful, evolving solution of banking verticals and niches that are intertwined to create a nimble, innovative enterprise. Our talented management team has extensive experience in leveraging niches into profitable lines of product mixes that position the bank for growth. Strategic opportunities in our region have the potential to generate more earnings beyond those of traditional banking institutions.

In 2018, United Bancorporation reported all-time record consolidated earnings of \$10 million, and strong capital ratios of 9.45% in addition to outstanding asset quality. This record performance followed a year of strategic core bank focus coupled with implementation of new lines of business such as the Capital Magnet Fund, Community Facilities Lending Program, and New Market Tax Credits. Ranked second overall in deposit market share in our footprint, our strength resides in core deposit funding. United Bank has built retail capacity to attract and maintain customer relationships. In turn, these relationships provide deposit growth putting us in a unique position to fund loan growth using our traditional banking model.

UB Community Development and CDFI business lines generate significant fee, grant, and award income, while serving as an economic development engine in operating markets. Since 2010, the Corporation has received eight Bank Enterprise Awards totaling \$2.26 million, two New Market Tax Credit allocations totaling \$120 million, and a Capital Magnet Fund award of \$4 million.

These profitable niches have given us the capability for expansion. In 2018 we opened our Brewton, Alabama branch, our first geographic expansion since 2007. Now serving all of Escambia County, Alabama, United Bank has demonstrated its strong commitment to the community.

United Bank is a profitable, regulated commercial bank. Yet, we are differentiated from our competitors by our commitment to community and economic development. And our efforts have yielded tangible results for the community. With more than \$200 million in capital investments, 3,022 jobs retained or created, and 800,000 square feet of construction, United Bank is connecting people and resources to build successful, sustainable development in the communities we serve.



DOING WELL BY DOING GOOD

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

Since becoming one of the first banks in Alabama to receive the Community Development Financial Institution (CDFI) certification, we've evolved into a multi-bottom line company.

These expanded capabilities and the focused business strategy positioned United Bank to build a niche business model and powerful brand. These capabilities allowed us not only to participate in the local markets, but to expand the local markets. Investing in local businesses, creating jobs, and enriching the quality of life in our communities brings us new lending opportunities, customer deposits, and stronger relationships. These cyclical relationships elevate our value, build our brand, give our customers the additional resources they need to be successful, and produce unprecedented financial results for our bank.

THE MULTI-BOTTOM LINE



This is how we visualize our commitment to strong financial performance, impacting the communities we serve and their economic development.

STRONG FINANCIAL PERFORMANCE



STABLE CORE DEPOSITS

Many consumers in our footprint still prefer a community bank. Which is why we've created a robust retail delivery system of branch offices strategically spread across our market area designed to provide a high level of service to customers wherever and whenever they want. This strategy has resulted in a strong, stable boost in core deposits, giving us low-cost access to funding we can use to grow our business and offer much-needed, affordable financial services to the areas we serve.

NEW TECHNOLOGY

Our recent investment in technology has allowed us to meet our customers' needs for on-demand access and convenience, and also take advantage of new business opportunities. The conversion has transformed us into a learning organization while creating brand continuity throughout the customer journey.

SHAREHOLDER'S DIVIDEND

United Bancorporation has paid a consistent dividend since 1983 and recently increased dividends from \$.135 in 2017 to \$.145 in 2018. In January 2019, the corporation paid a dividend of \$.075 with a special dividend of \$.005 for a total of \$.08 per share. This increase reflects our improved financial performance and rewards our shareholders for their investment.



ECONOMIC DEVELOPMENT



FUELING INNOVATION AND ENCOURAGING LOCAL ENTREPRENEURIAL SPIRIT.

Community banks are engines of small business growth, and our focus on creating opportunities goes beyond the extension of credit. The Church Street Incubator, mentorships, and business planning programs are perfect examples of our commitment to encouraging and supporting local small businesses.

In 2018 alone, we financed 372 small businesses totaling \$70.2 million in loans, of which 123 were minority- and/or women-owned. We also counseled 94 small businesses on business planning, budgeting, and cash management. As we all know, small businesses' success reverberates throughout the community, generating jobs, financial independence, and the entrepreneurial spirit.

We've also expanded this model with our Homegrown Startup Pitchfest contest which gives small, entrepreneurial startup businesses the opportunity to win \$40,000 seed money.

This year marked the ninth consecutive year United Bank received the Bank Enterprise Award, which the U.S. Treasury Department awarded to only 119 institutions across the country. These resources allow us to further invest in startup programs by providing community impact services such as direct financing, checking and savings accounts, check cashing, financial services, and counseling.



COMMUNITY DEVELOPMENT



COMMUNITIES THRIVE WHEN PEOPLE WORK TOGETHER.

At United Bank, we realize we are all interconnected. Intertwined. The fate of our business is tied to that of our community. When our community is healthy, so are we. When our community soars, we rise with it.

When we help a business expand with New Market Tax Credits, we also make a loan and gain new banking customers. Jobs are created, tax bases are increased, homes are purchased, and the local economy grows.

When Capital Magnet Funds are used to help developers build affordable housing, the cycle of poverty is broken for area families, they begin to participate in the

local economy and become customers of our bank and other businesses. These businesses then grow, more jobs are created, and more money is invested back into our communities.

When our outreach and retail strategies drive growth for our bank, we can make more loans and increase our local investments. When we support innovators and entrepreneurs, the doors of opportunity are thrown open for many individuals and businesses throughout our region.



NEW MARKET TAX CREDIT (NMTC)

This past year, we leveraged our position as a certified Community Development Financial Institution to provide \$6 million in NMTC that enabled Southern Visions to expand their sweet tea manufacturing operation in Bay Minette, Alabama, adding jobs and opportunity to this economically challenged area.

Pursell Agri-Tech also received NMTC which allowed them to expand their manufacturing facility in Sylacauga that produces specialized fertilizer which will ultimately help farmers around the world produce higher yields and address our global food shortage.



**6 MILLION
IN NMTC
FUNDS**
Awarded to
Southern Visions



COMMUNITY FACILITIES LENDING

Another emerging area of growth is the Community Facilities Lending Program. This offering targets communities that need access to products to finance public infrastructure. Recently the City of Satsuma began construction on a much-needed upgrade to its public safety facilities.



CAPITAL MAGNET FUND

In 2018, United Bank received a \$4 million Capital Magnet Fund (CMF) award from the US Treasury Department's CDFI Fund. A portion of this funding was used to partner with developers to begin work on three multifamily affordable housing projects totaling 168 units for working families and seniors in the rural communities of Clanton, Moody, and Smiths Station. The anticipated pipeline for the award includes 14 affordable housing projects with a total of 737 units representing \$136.8 million in private capital. Approximately 33% are

in economically distressed areas. In rural places it is hard to find affordable housing because the cost to build is greater than rents can support. CMF provides subsidy to fill the gaps to make it feasible to build new units. As the only recipient in our state, CMF also enabled United to partner with the Alabama Housing Finance Authority which gave developers bonus points in competing for Low Income Housing Tax Credits that included CMF dollars.

4

MILLION
in CMF Awarded
to United Bank



BUILDING ORGANIZATIONS

Communities thrive when people work together. Our leadership role in this space helps make our communities more livable, more attractive for businesses, and a source of pride for area residents. We support a wide range of community-building organizations, including the non-profit Communities of Transformation, which provided Wise Money Management to 43 individuals in 2018. Another example includes hosting Farm to Table events jointly with Feeding the Gulf Coast to promote grower connections while providing fresh produce for regional food banks.

Additionally, Bank staff participated in gleanings to assist local farmers build a connection with the food bank, coordinated VITA sites with bank volunteers to help with income tax preparation, and hosted a classroom instructional in support of the Teach Children to Save programs in area schools. Whether it's financial literacy, operating the Church Street Incubator to help startup businesses or building connections, all of these efforts underscore our unwavering commitment to make all our communities better for everyone.



**Farm To
Table Events**
with Feeding the
Gulf Coast



**Wise Money
Management**
provided to 43
individuals in 2018

SOUTHERN VISIONS (SWEET BREW) SUCCESS STORY

Bay Minette, AL

\$6 Million NMTC Allocation

New manufacturing facility to produce Sweet Brew product line.

Community Profile

- » Poverty Rate: 22.5%
- » Unemployment Rate: 9.2%
- » Household Median Income: \$31,310

Job Creation

- » Permanent Jobs: 75
- » Temporary Construction Jobs: 86

Southern Visions Project Highlights

- » NMTC allocation allowed Sweet Brew to build the project at one time, instead of in phases over a period of four to five years. It also increased the number of jobs created during construction and once the facility comes online.
- » The total cost of the project is \$10,915,874 with a \$6MM NMTC allocation from UBCD. The total square feet of the real estate that will be leased by the NMTC beneficiary is 111,180 square feet, which includes 106,428 square feet of manufacturing/industrial space and 4,752 square feet of office space.
- » Family-owned business with headquarters located in Loxley, AL.
- » Rail services near the Bay Minette facility will assist them in growing their granulated sugar business.



CITY OF SATSUMA SUCCESS STORY

Satsuma, AL

\$2 Million Community Facilities
Lending Program Allocation

Construct new public safety building.

Community Profile

- » Poverty Rate: 10.3%
- » Unemployment Rate: 4.2%
- » Household Median Income: \$59,311

Satsuma Project Highlights

- » Satsuma is a relatively small city located in the state of Alabama. With a population of 6,193 people and just one neighborhood, Satsuma is the 98th largest community in Alabama.
- » The public safety building was formerly a residential dwelling that currently houses Police & Fire Safety. After several additions it has become antiquated and in desperate need of replacement.
- » The new 9,600 square foot building will be located on 7 acres, and will better serve the community and expand the overall quality of the City's first response capabilities.
- » Improvements that will be added to the new facility will include an improved secure area for prisoner housing, decontamination area for personnel and equipment, and an updated dispatch room.



PURSELL AGRI-TECH SUCCESS STORY

Sylacauga, AL

\$7 Million
NMTC Allocation

Build new addition to current facility.

Community Profile

- » Poverty Rate: 25.7%
- » Unemployment Rate: 5.5%
- » Household Median Income: \$34,568

Job Creation

- » Permanent Jobs: 50
- » Temporary Construction Jobs: 18

Pursell Agri-Tech Project Highlights

- » Talladega County's unemployment rate is higher than the state average, but has dropped significantly in the last year. Workforce will be hired from the local community.
- » UB Community Development & New Market Tax Credits provided opportunities for this new technology startup developer of innovative controlled release fertilizer technology and micronutrient delivery systems.
- » 10,000 square foot manufacturing facility that will include industrial and office space.
- » Additional industrial investments are anticipated, further benefiting the area.



PERFORMANCE AT A GLANCE

**BASIC
EARNINGS
PER SHARE
\$4.09**

Basic earnings per share increased from \$1.44 per share to \$4.09 per share in 2018. The total return performance for 2018 was 284%.

TOTAL ASSETS

\$637,584,383

LOANS HELD FOR INVESTMENT

\$409,843,750

REVENUE

\$36,743,442

NET EARNING BEFORE TAXES

\$12,905,355

STOCK PRICE

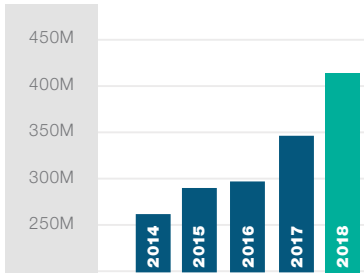
\$20.32

OTCPNK: UBAB 



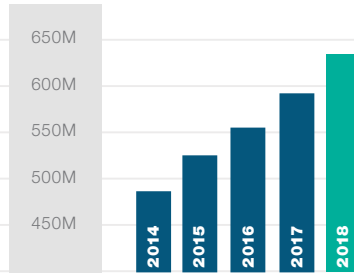
2018 FINANCIALS

LOANS HELD FOR INVESTMENT



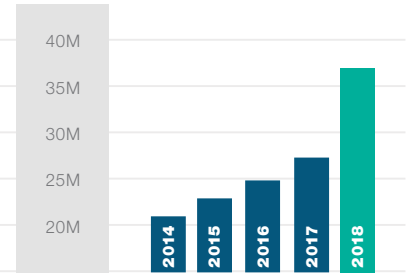
2014: \$260,812,139
 2015: \$288,627,553
 2016: \$299,036,101
 2017: \$347,930,552
 2018: \$409,843,750

ASSETS



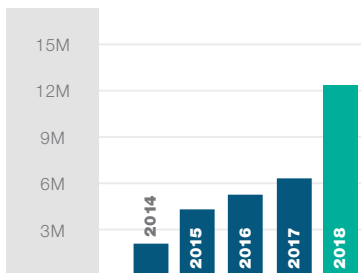
2014: \$489,394,870
 2015: \$530,087,350
 2016: \$558,565,899
 2017: \$597,748,252
 2018: \$637,584,383

REVENUE



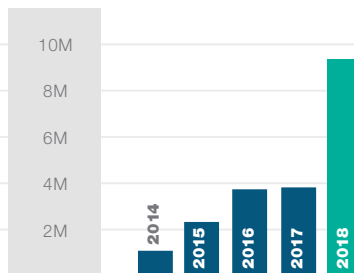
2014: \$21,937,111
 2015: \$23,528,748
 2016: \$24,608,776
 2017: \$27,385,318
 2018: \$36,743,442

EARNING BEFORE INCOME TAXES



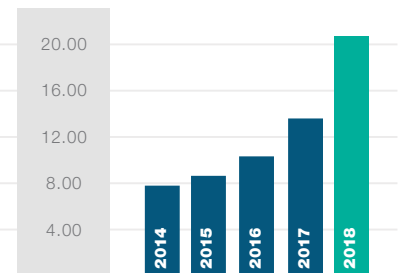
2014: \$2,007,739
 2015: \$4,025,735
 2016: \$5,167,653
 2017: \$6,378,012
 2018: \$12,905,355

NET EARNING AVAILABLE TO COMMON SHAREHOLDERS



2014: \$1,801,739
 2015: \$2,636,817
 2016: \$3,329,416
 2017: \$3,495,312
 2018: \$9,988,224

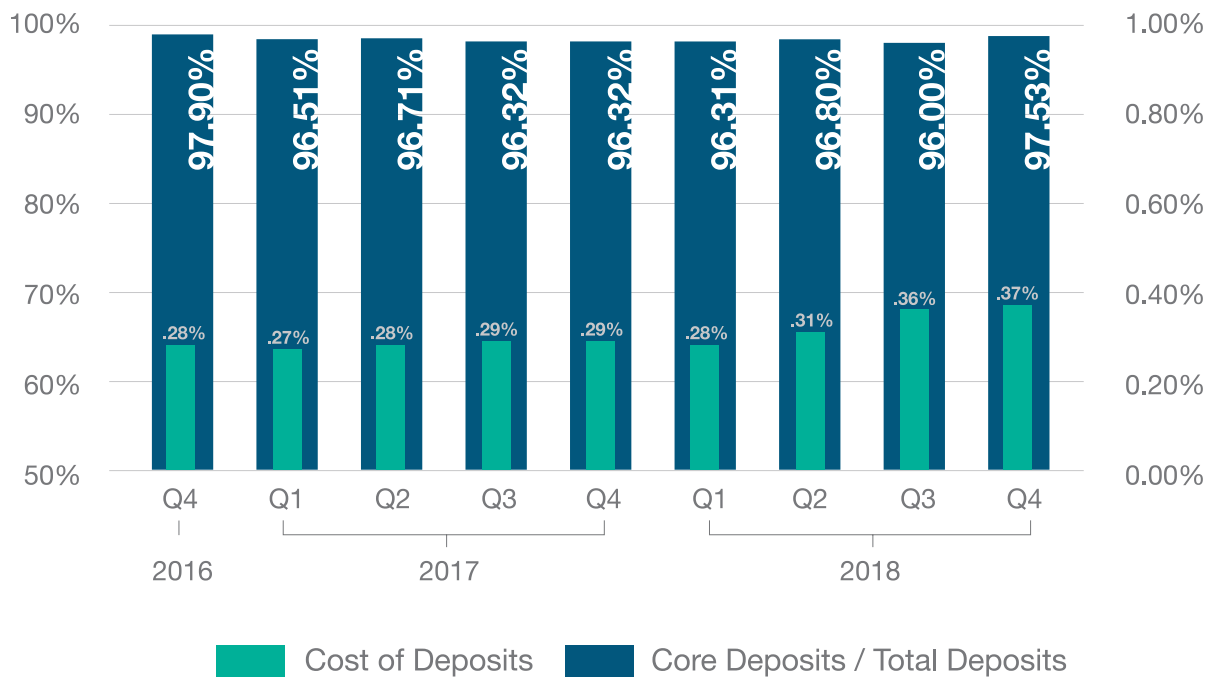
BASIC EPS / STOCK PRICE



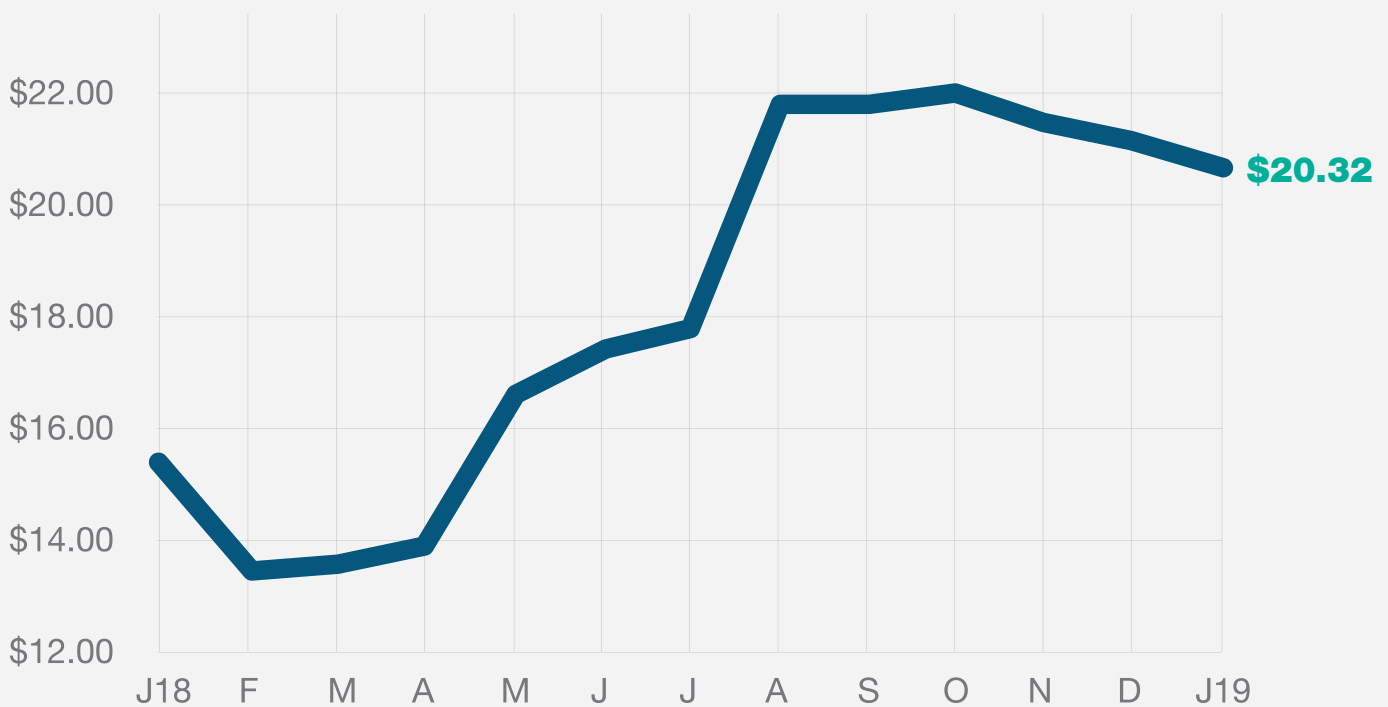
2014: \$0.75 / \$7.75
 2015: \$1.10 / \$8.50
 2016: \$1.38 / \$14.40
 2017: \$1.44 / \$16.69
 2018: \$4.09 / \$20.32

The corporation's consolidated audited financial statements and accompanying notes are provided within the invest relations page at www.UnitedBank.com and UnitedBankAnnualReport.com.

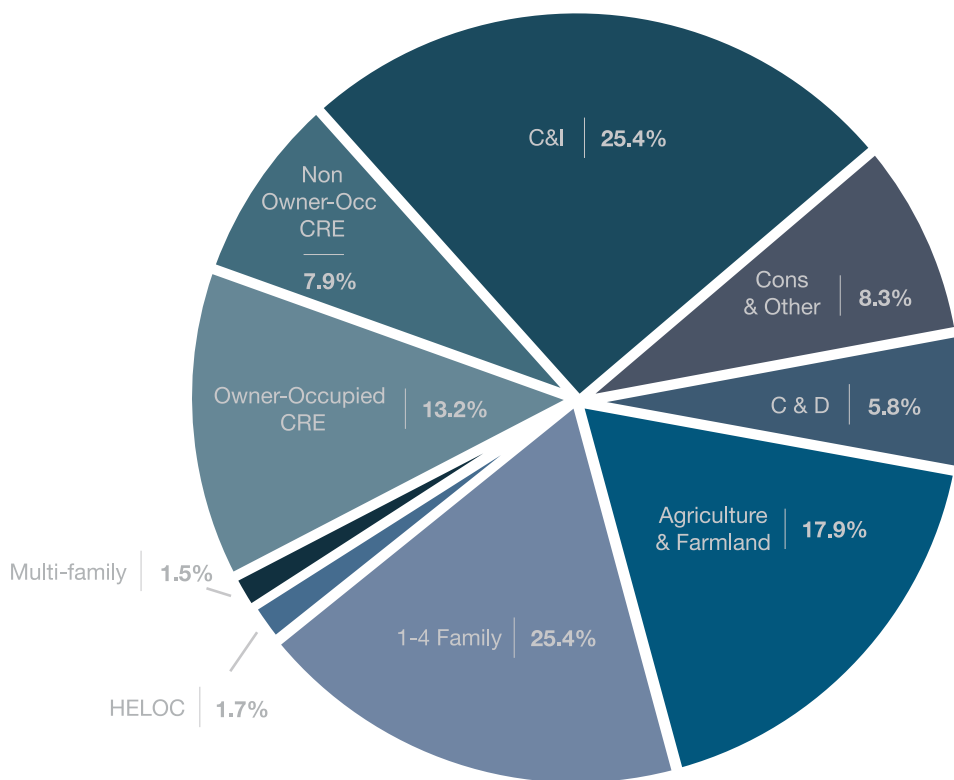
EXCEPTIONAL CORE FUNDING BASE



STOCK PERFORMANCE



LOAN MIX



\$20.32

Stock Price as
of January 2019



OTCPNK: UBAB

13.68%
DDA Growth

18.16%
Loan Growth



SHARE DIVIDEND GROWTH

United Bancorporation has paid a consistent dividend since 1983 and recently increased dividends from \$.135 in 2017 to \$.145 in 2018. In January 2019, the corporation paid a dividend of \$.075 with a special dividend of \$.005 for a total of \$.08 per share. This increase reflects our improved financial performance and rewards our shareholders for their investment.

2017

.135¢

2018

.145¢

ECONOMIC DEVELOPMENT



800,000 ^{sq}
_{ft}
of New Construction



2 Million
in Capital Investments

3022
JOBS
Retained
or Created





5907

United Bancorporation

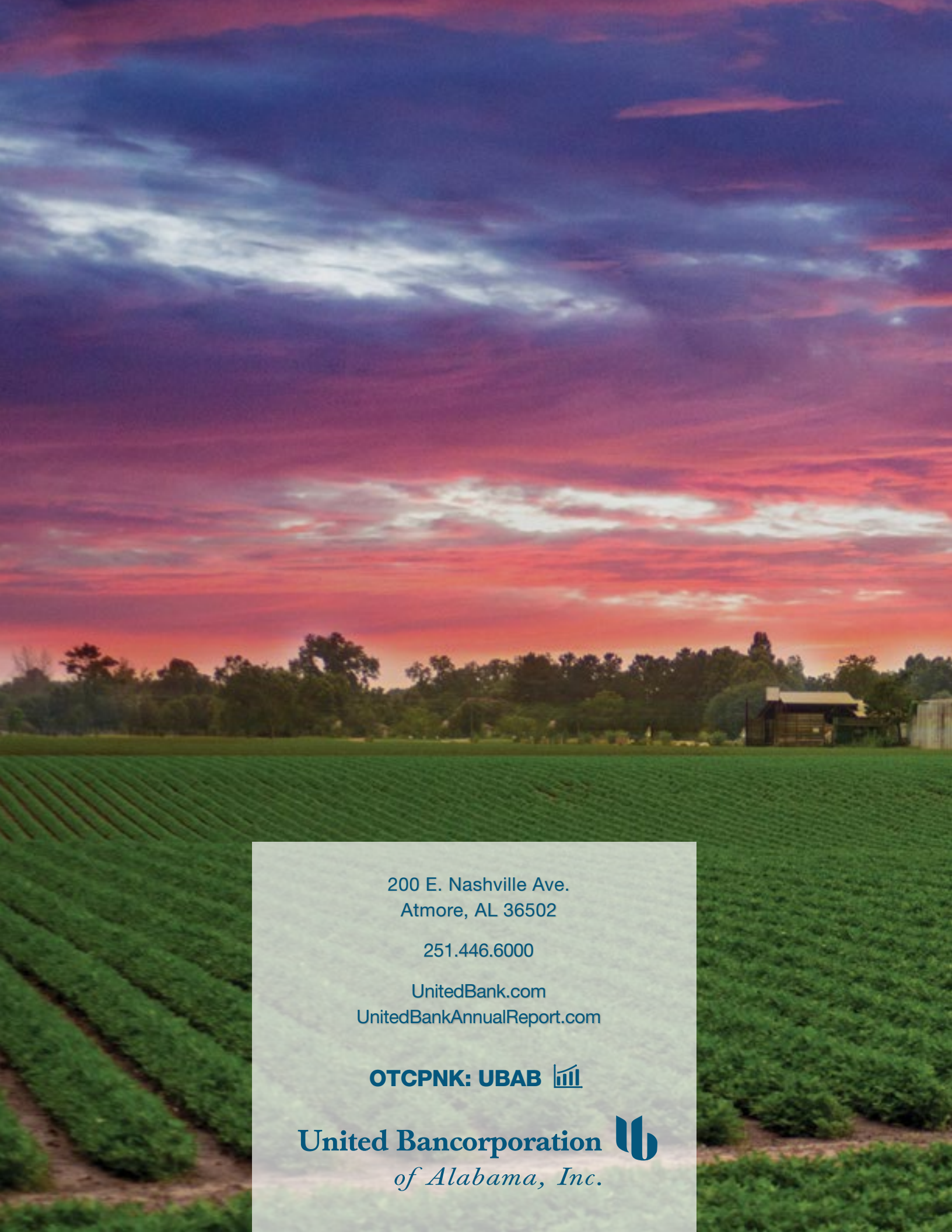
of Alabama, Inc.

As you can see, the Corporation is continuing our mission to enhance value to our shareholders and the communities we serve. We thank you for your continued support and welcome your feedback.

Please visit the Investor Relations Page of our website **www.UnitedBank.com** for valuable shareholder information and updates.

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.



200 E. Nashville Ave.
Atmore, AL 36502

251.446.6000

UnitedBank.com
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of Alabama, Inc.