UNITED BANCORPORATION OF ALABAMA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2021

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AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Bancorporation of Alabama, Inc.
Atmore, Alabama

Opinion

We have audited the accompanying consolidated financial statements of **United Bancorporation of Alabama, Inc. and Subsidiaries**, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Bancorporation of Alabama, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Bancorporation of Alabama, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Bancorporation of Alabama, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Bancorporation of Alabama, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Bancorporation of Alabama, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mauldin & Jenkins, LLC

Birmingham, Alabama
March 21, 2022

UNITED BANCORPORATION OF ALABAMA, INC.
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CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

Assets	2021	2020
Cash and due from banks	$ 42,049,769	$ 108,506,410
Interest-bearing deposits in banks	71,854,343	154,376,518
Federal funds sold	6,278,135	-
Cash and short-term investments	120,182,247	262,882,928
Securities available for sale, at fair value (amortized cost of $281,101,133 and $141,515,294 at December 31, 2021 and 2020, respectively)	278,953,682	144,854,569
Securities held to maturity, at amortized cost (fair value of $12,105,153 and $15,267,741 at December 31, 2021 and 2020, respectively)	11,787,052	14,701,703
Restricted equity securities, at cost	2,218,267	2,047,303
Loans held for sale	62,864	2,817,561
Loans held for investment	657,155,493	526,285,086
Less: Allowance for loan losses	10,203,372	7,822,526
Loans, net	646,952,121	518,462,560
NMTC Sub-CDE QLICI loans	3,500,000	3,500,000
Premises and equipment, net	16,616,105	15,760,075
Interest receivable	5,248,188	4,175,263
Bank owned life insurance	17,341,720	12,033,331
Other real estate owned, net	150,000	157,000
Core deposit intangible	643,040	-
Goodwill	6,474,056	-
Other assets	10,813,474	7,315,420
Total assets	$ 1,120,942,816	$ 988,707,713
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	$ 424,238,173	$ 486,405,309
Interest-bearing	558,492,536	382,474,307
Total deposits	982,730,709	868,879,616
Interest payable	156,966	219,460
Other borrowings	13,197,809	9,910,458
Note payable to trust	10,310,000	10,310,000
Accrued expenses and other liabilities	4,837,436	2,538,539
Total liabilities	1,011,232,920	891,858,073
Commitments (Note 20)		
Stockholders' equity		
Preferred stock, par value $.01. Authorized 250,000 shares; no shares issued	-	-
Class A common stock, par value $0.01. Authorized 5,000,000 shares; 3,804,277 and 3,790,647 issued; 3,765,965 and 3,742,128 shares outstanding in 2021 and 2020, respectively	38,043	37,907
Class B common stock, par value $0.01. Authorized 250,000 shares; no shares issued	-	-
Additional paid-in capital	34,137,926	33,576,095
Retained earnings	79,327,583	61,859,668
Accumulated other comprehensive income (loss), net of tax	(1,610,587)	2,504,457
	111,892,965	97,978,127
Less 239 treasury shares, at cost	1,951	1,951
Less unvested restricted stock and unallocated KSOP shares (100,505 and 48,280, respectively)	2,181,118	1,126,536
Total stockholders' equity	109,709,896	96,849,640
Total liabilities and stockholders' equity	$ 1,120,942,816	$ 988,707,713

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
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CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Interest income		
Interest and fees on loans	$ 32,174,282	$ 26,106,940
Interest on investment securities:		
Taxable securities	2,568,269	1,950,120
Nontaxable securities	827,574	794,187
Total investment income	3,395,843	2,744,307
Other interest income	193,745	372,673
Total interest income	35,763,870	29,223,920
Interest expense		
Interest on deposits	2,393,843	2,559,124
Interest on other borrowings and note payable	442,938	476,292
Total interest expense	2,836,781	3,035,416
Net interest income	32,927,089	26,188,504
Provision for loan losses	1,862,023	2,727,891
Net interest income after provision for loan losses	31,065,066	23,460,613
Noninterest income:		
Service charges and fees	5,834,765	4,772,309
CDFI award income	9,826,265	7,002,251
New market tax credit sub-allocation and placement fees	1,800,000	880,000
Consulting fees	1,577,500	160,000
Investment securities gains, net	84,297	211,350
Mortgage loan and related fees	1,194,714	1,181,987
Other	2,365,636	2,024,610
Total noninterest income	22,683,177	16,232,507
Noninterest expense:		
Salaries and benefits	15,349,537	14,027,657
Net occupancy expense	3,350,093	2,695,706
Other	11,106,377	7,594,568
Total noninterest expense	29,806,007	24,317,931
Income before income tax expense	23,942,236	15,375,189
Income tax expense	5,409,190	3,204,952
Net income	18,533,046	12,170,237
Net income available to common shareholders	$ 18,533,046	$ 12,170,237
Basic earnings per common share	$ 4.87	$ 3.22
Basic weighted-average shares outstanding	3,807,620	3,778,933
Diluted earnings per common share	$ 4.87	$ 3.22
Diluted weighted-average shares outstanding	3,807,620	3,778,933

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net income	$ 18,533,046	$ 12,170,237
Other comprehensive income (loss):		
Unrealized holding gains (losses) on securities available for sale arising during the period, net of tax (benefit) expense of ($1,350,607) and $705,360, respectively	(4,051,822)	2,116,081
Reclassification adjustment for gains on securities available for sale realized in net income, net of taxes of $21,075 and $52,838, respectively	(63,222)	(158,512)
Total other comprehensive income (loss)	(4,115,044)	1,957,569
Comprehensive income	$ 14,418,002	$ 14,127,806

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unvested Restricted Stock	Unearned KSOP Shares	Total
Balance, December 31, 2019	3,774,369	$ 37,744	$ 33,204,200	$ 50,655,518	$ 546,888	$ (1,951)	$ (148,806)	(1,433,073)	$ 82,860,520
Net income	-	-	-	12,170,237	-	-	-	-	12,170,237
Other comprehensive income	-	-	-	-	1,957,569	-	-	-	1,957,569
Cash dividend declared ($0.25 per share)	-	-	-	(966,087)	-	-	-	-	(966,087)
Restricted stock grants	12,070	121	243,651	-	-	-	(243,772)	-	-
KSOP released shares - leveraged	-	-	27,154	-	-	-	-	467,474	494,628
Stock based compensation	-	-	-	-	-	-	231,641	-	231,641
Shares issued in accordance with dividend reinvestment plan	4,208	42	101,090	-	-	-	-	-	101,132
Balance, December 31, 2020	3,790,647	37,907	33,576,095	61,859,668	2,504,457	(1,951)	(160,937)	(965,599)	96,849,640
Net income	-	-	-	18,533,046	-	-	-	-	18,533,046
Other comprehensive loss	-	-	-	-	(4,115,044)	-	-	-	(4,115,044)
Cash dividend declared ($0.28 per share)	-	-	-	(1,065,131)	-	-	-	-	(1,065,131)
Restricted stock grants	12,327	123	353,279	-	-	-	(353,402)	-	-
Exec officer restricted stock forfeiture/retirement	(3,185)	(32)	(78,977)	-	-	-	79,009	-	-
KSOP released shares - leveraged	-	-	170,254	-	-	-	-	349,606	519,860
KSOP unallocated shares purchased	-	-	-	-	-	-	-	(1,394,100)	(1,394,100)
Stock based compensation	-	-	-	-	-	-	264,305	-	264,305
Shares issued in accordance with dividend reinvestment plan	4,488	45	117,275	-	-	-	-	-	117,320
Balance, December 31, 2021	3,804,277	$ 38,043	$ 34,137,926	$ 79,327,583	$ (1,610,587)	$ (1,951)	$ (171,025)	(2,010,093)	$ 109,709,896

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES		
Net income	$ 18,533,046	$ 12,170,237
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for loan losses	1,862,023	2,727,891
Depreciation of premises and equipment	1,451,557	1,315,031
Net amortization of premium on investment securities available for sale	1,355,400	987,380
Net amortization of premium on investment securities held to maturity	44,651	73,638
Gain on sales of investment securities available for sale, net	(84,297)	(211,350)
Amortization of core deposit intangible	27,960	-
Accretion of discounts on purchased loans	(185,180)	-
Amortization of premium on purchased deposits	136,667	
Stock based compensation	264,305	231,641
Release of KSOP shares	519,860	494,628
Net gain on sales of other real estate owned	(85,032)	(17,171)
Net gain on sales of loans held for sale	(997,705)	(891,093)
Originations of loans held for sale	(30,297,744)	(35,628,959)
Proceeds from sales of loans held for sale	34,050,146	33,702,491
Earnings on bank owned life insurance	(358,872)	(323,715)
Deferred income taxes	(734,474)	(462,636)
Provision for other real estate owned losses	-	100,294
Increase in interest receivable	(1,072,925)	(75,890)
(Increase) decrease in prepaids	1,116,855	(375,070)
Increase in other assets	(1,317,990)	(1,106,876)
Increase (decrease) in interest payable	(92,969)	(20,394)
Increase (decrease) in accrued expenses and other liabilities	2,037,155	(4,334,100)
Net cash provided by operating activities	26,172,437	8,355,977
INVESTING ACTIVITIES		
Net cash acquired in business combination	9,678,870	-
Proceeds from maturities, calls, and principal repayments of investment securities available for sale	28,306,092	40,800,834
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	2,870,000	2,570,000
Proceeds from sales of investment securities available for sale	36,855,280	18,567,359
Purchases of investment securities available for sale	(178,493,346)	(81,016,168)
Purchase of bank owned life insurance	(550,000)	-
Net (purchase) redemption of other equity securities	149,450	(84,300)
Net increase in loans	(64,138,732)	(75,246,665)
Purchases of premises and equipment	(519,233)	(1,447,991)
Proceeds from sales of other real estate owned	262,032	1,238,236
Net cash used in investing activities	(165,579,587)	(94,618,695)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(4,279,089)	249,812,733
Cash dividends paid - common stock	(1,025,013)	(1,055,340)
Proceeds from sales of common stock	117,320	101,132
Purchase of unallocated KSOP shares	(1,394,100)	-
Advances from other borrowings	4,007,140	2,564,450
Repayment of other borrowings	(719,789)	(712,700)
Net cash provided by (used in) financing activities	(3,293,531)	250,710,275
Net increase (decrease) in cash and short-term investments	(142,700,681)	164,447,557
Cash and short-term investments at beginning of year	262,882,928	98,435,371
Cash and short-term investments at end of year	$ 120,182,247	$ 262,882,928
SUPPLEMENTAL DISCLOSURE		
Cash paid during the year for:		
Interest	$ 2,743,812	$ 3,055,810
Income taxes	$ 5,393,800	$ 4,411,700
OTHER NONCASH TRANSACTIONS		
Transfer of loans to other real estate through foreclosure	$ -	$ 395,000

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

United Bancorporation of Alabama, Inc. (the "Corporation") is a financial holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries, United Bank (UB), Town-Country National Bank (TCNB), UB Community Development, LLC (UBCD), UBA CFSA Investment Fund, LLC (CFSA IF) and UBA AMCREF Investment Fund, LLC (AMCREF IF).

UB is a commercial bank with headquarters in Atmore, Alabama. UB provides a full range of banking services in its primary market areas of Baldwin, Escambia, Monroe and Mobile Counties, Alabama, and Santa Rosa County, Florida. UB wholly-owns United Insurance Services (UIS), a subsidiary entity, allowing bank-employed licensed agents to offer non-deposit insurance products to bank customers and non-customers.

TCNB is a commercial bank with operations in Camden, Alabama. TCNB provides retail and commercial loan and deposit services principally to customers within a 50-mile radius of the Bank's location. TCNB was acquired by the Corporation on July 26, 2021 as further described in Note 2.

Throughout the statements, UB and TCNB are collectively referred to as "the Banks".

UBCD is an entity established to manage allocations of New Market Tax Credits (NMTC) from funds administered by the U.S. Department of Treasury as well as oversee other community development initiatives. UBCD has offices in Atmore and Birmingham, Alabama.

In September 2019, the Corporation became a NMTC equity investor via CFSA IF by pre-funding a $3.5 million transaction. The Corporation will receive $1,365,000 in tax benefits over a seven-year compliance period. CFSA IF is wholly-owned by the Corporation and is the 99.9% member of UBCD Sub-CDE Uniform Golf, LLC. UBCD is the 0.01% member and manages the Sub-CDE for the investment fund.

In August 2020, the Corporation entered into its second NMTC transaction as equity investor. Through AMCREF IF, the Corporation made a $705,994 contribution that will result in $882,492 of tax credits taken over a seven-year compliance period. AMCREF IF is wholly-owned by the Corporation and is the 99.99% member of the AMCREF Fund 63, LLC. AMCREF Fund 63, LLC is managed by the 0.01% member, an entity external to the Corporation's organizational structure.

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of United Bancorporation of Alabama, Inc., UB, TCNB, UBCD, CFSA IF and AMCREF IF collectively referred to as "the Corporation". Significant inter-company balances and transactions have been eliminated in consolidation.

Basis of Presentation and Accounting Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting Estimates (Continued)

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of other real estate owned and deferred taxes, the valuation of other than temporary impairment for investment securities, and the fair value of financial instruments.

The Corporation has evaluated all transactions, events, and circumstances for consideration or disclosure through March 21, 2022, the date these financial statements were available to be issued and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

Cash and Short-Term Investments

The Corporation considers cash and due from banks, interest-bearing deposits in banks, and federal funds sold to be cash and short-term investments. Federal funds are generally sold for one-day periods.

Investment Securities

Investment securities are classified in one of two portfolios: securities available for sale or securities held to maturity. Investment securities available for sale are stated at fair value with any unrealized gains and losses reported in a separate component of stockholders' equity, net of tax effect, until realized. Once realized, gains and losses on investment securities available for sale are reflected in current period earnings. Investment securities held to maturity are stated at amortized cost adjusted for amortization of premiums and accretion of discounts.

Net gains and losses on the sale of investment securities available for sale are recorded at trade date. The net gains and losses are computed using the specific identification method and are shown separately in noninterest income in the consolidated statements of earnings. Accretion of discounts and amortization of premiums are calculated on the effective interest method over the anticipated life of the security.

A decline in the fair value of any security below amortized cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Other Equity Securities

The Corporation is required to maintain an investment in capital stock of various entities. Based on redemption provisions of these entities, these stock have no quoted market value and are carried at cost. At their discretion, these entities may declare dividend on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in these stocks.

Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Loans Held For Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value (LOCOM). For loans carried at LOCOM, gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income upon sale of the loan. The estimated fair value of loans held for sale is based on independent third party quoted prices.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances less the allowance for loan losses. Interest income is accrued on the outstanding principal balance. Loan origination fees, net of certain direct origination costs, are recognized at the time the loan is placed on the books.

The accrual of interest on loans is discontinued when there is a clear indication that the borrower may not be able to meet payments as they become due, which is generally when a loan is 90 days past due. When a loan is placed on nonaccrual status, all previously accrued and unpaid interest is reversed. Interest income is subsequently recognized on a cash basis as long as the remaining book balance of the asset is deemed to be collectible. If collectability is questionable, then cash payments are applied to principal. A loan is placed back on accrual status when both principal and interest are current and it is probable that the Corporation will be able to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

Allowance for Loan Losses

The allowance for loan losses (allowance) is an amount that management believes will be appropriate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the uncollectibility of loans in light of historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses, and may require the Corporation to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the collateral value, present value of expected future cash flows or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors. The qualitative factors considered by management include, among other factors, (1) changes in local and national economic conditions; (2) changes in asset quality; (3) changes in loan portfolio volume; (4) the composition and concentrations of credit; (5) the trends associated with the composition of the loan portfolio; (6) the trends related to classified assets and (7) effectiveness of the Corporation's loan policies, procedures and internal controls.

Management considers a loan to be impaired when it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral-dependent, the fair value of the collateral is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses. Impaired loans are charged off against the allowance when such loans are deemed to be uncollectible. Subsequent recoveries are added to the allowance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

When a loan is considered impaired, payments are recognized as scheduled interest and principal reductions as long as the loan is not in default under the terms of the loan agreement. Otherwise, if in default, cash receipts are applied first to principal and once the recorded principal balance has been reduced to zero, future cash receipts are recognized as interest income, to the extent that any interest has not been recognized. Any further cash receipts are recorded as recoveries of any amount previously charged off.

The ultimate ability to collect a substantial portion of the Corporation's loan portfolio is susceptible to changes in economic and market conditions in the geographic area served by the Corporation and various other factors.

Troubled Debt Restructurings

The Corporation designates loan modifications as troubled debt restructurings (TDRs) when for economic and legal reasons related to the borrower's financial difficulties, it grants a concession to the borrower that it would not otherwise consider. TDRs can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the borrower. In circumstances where the TDR involves charging off a portion of the loan balance, the Corporation typically classifies these restructurings as nonaccrual.

In connection with restructurings, the decision to maintain a loan that has been restructured on accrual status is based on a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation includes consideration of the borrower's current capacity to pay, which among other things may include a review of the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations, a debt to income analysis, and an evaluation of secondary sources of payment from the borrower and any guarantors. This evaluation also includes an evaluation of the borrower's current willingness to pay, which may include a review of past payment history, an evaluation of the borrower's willingness to provide information on a timely basis, and consideration of offers from the borrower to provide additional collateral or guarantor support. The credit evaluation also reflects consideration of the borrower's future capacity and willingness to pay, which may include evaluation of cash flow projections, consideration of the adequacy of collateral to cover all principal and interest, and trends indicating improving profitability and collectability of receivables.

Restructured nonaccrual loans may be returned to accrual status based on a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower's sustained historical repayment for a reasonable period, generally a minimum of six months, prior to the date on which the loan is returned to accrual status.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Other Real Estate Owned

Other real estate owned represents property acquired through foreclosure or deeded to the Corporation in lieu of foreclosure on real estate mortgage loans on which borrowers have defaulted. Other real estate owned is carried at the lower of cost or fair value, adjusted for estimated selling costs. Reductions in the balance of other real estate owned at the date of foreclosure are charged to the allowance for loan losses. Subsequent valuation decreases in the carrying value of other real estate owned as well as costs to carry other real estate owned are recognized as charges to noninterest expense.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

The Corporation accounts for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations*. The Corporation recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. There is no separate recognition of the acquired allowance for the loan losses on the acquirer's balance sheet as credit-related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. If the amount of consideration exceeds the fair value of assets purchased less the fair value of liabilities assumed, goodwill is recorded. Alternatively, if the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid, a gain ("bargain purchase gain") is recorded. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statement of earnings from the effective date of the acquisition. Additional information regarding acquisitions is provided in Note 2.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. The Corporation performs its annual test for impairment in the fourth quarter of each year.

Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over an estimated useful life of three to ten years. Amortization periods are reviewed annually in connection with the annual impairment testing of goodwill.

Income Taxes

The Corporation accounts for income taxes in accordance with income tax accounting guidance, FASB ASC 740, *Income Taxes*. The Corporation applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

Income tax accounting results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Stock Based Compensation

At December 31, 2021 and 2020, the Corporation had restricted stock and other equity awards outstanding as defined by a stock based employee compensation plan, which is described more fully in Note 13.

The Corporation accounts for its stock based compensation plan under stock compensation accounting guidance, FASB ASC 718, *Compensation – Stock Compensation*. This guidance requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards and stock grants.

Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the potential dilution that could occur if dilutive stock options were exercised and resulted in the issuance of common stock.

Unvested share-based payment awards, which include the right to receive non-forfeitable dividends, are considered participating securities and therefore considered to be outstanding in the computation of earnings per share. For the years ended December 31, 2021 and 2020, earnings per share is calculated using the two class method, under which calculations (1) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (2) exclude from the denominator the dilutive impact of the participating securities.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities are reported as a separate component of the equity section of the balance sheet, such items, along with net earnings, are components of comprehensive income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 16. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Recent Accounting Pronouncements

In June 2016 the FASB issued ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* The new guidance will apply to most financial assets measured at amortized cost and certain other instruments including loans, debt securities held to maturity, net investments in leases and off-balance sheet credit exposures. The guidance will replace the current incurred loss accounting model that delays recognition of a loss until it is probable a loss has been incurred with an expected loss model that reflects expected credit losses based upon a broader range of estimates including consideration of past events, current conditions and supportable forecasts. The guidance also eliminates the current accounting model for purchased credit impaired loans and debt securities, which will require re-measurement of the related allowance at each reporting period. The guidance includes enhanced disclosure requirements intended to help financial statement users better understand estimates and judgement used in estimating credit losses. As originally issued, ASU 2016-13 was effective for financial statements issued for fiscal years and for interim periods within those fiscal years beginning after December 15, 2020, with institutions required to apply the changes through a cumulative-effect adjustment to their retained earnings balance as of the beginning of the first reporting period in which the guidance is effective. On October 16, 2019, the FASB approved a delay in the implementation of ASU 2016-13 by two years for non-public business entities, including the Corporation. Management has been in the process of developing a revised model to calculate the allowance for loan and leases losses upon implementation of ASU 2016-13 in order to determine the impact on the Corporation's consolidated financial statements and, at this time, expects to recognize a one-time cumulative effect adjustment to the allowance for loan and lease losses as of the beginning of the first reporting period in which the new standard is effective. The magnitude of any such one-time adjustments is not yet known.

NOTE 2. BUSINESS COMBINATION

On July 26, 2021, the Corporation completed its acquisition of Town-Country National Bank, a commercial bank with operations in Camden, Wilcox County, Alabama. TCNB's common shareholders received $237.34 in cash in exchange for each share of TCNB's common stock. The Corporation paid cash totaling $17,800,500 for 75,000 shares of TCNB common stock. The Corporation recorded $6,474,056 in goodwill. Acquisition expenses of approximately $853,000 were charged directly to other noninterest expense.

The acquisition of TCNB was accounted for using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and are subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available.

NOTE 2. BUSINESS COMBINATION (Continued)

The following table presents the assets acquired and liabilities assumed of TCNB as of July 26, 2021, at their fair values. (amounts in thousands, except per share data):

	As Recorded By TCNB	Fair Value Adjustments		As Recorded By the Corporation
Cash and cash equivalents	$ 13,305	$ -		$ 13,305
Federal funds sold	14,175	-		14,175
Investments	28,269	(424)	(a)	27,845
Loans, net of unearned income	67,993	(1,965)	(b)	66,028
Allowance for loan losses	(1,812)	1,812	(c)	-
Net loans	66,181	(153)		66,028
Bank owned life insurance	4,399	1	(d)	4,400
Premises and equipment, net	1,699	90	(e)	1,789
Other real estate owned	170	-		170
Core deposit intangible	-	671	(f)	671
Deferred tax asset	137	194	(g)	331
Other assets	859	-		859
Total assets	$ 129,194	$ 379		$ 129,573
Core deposits	$ 52,679	$ -		$ 52,679
Time Deposits – CDs	54,392	164	(h)	54,556
TDOA	1,000	-		1,000
Other deposits	9,584	-		9,584
Other liabilities	427	-		427
Total liabilities	$ 118,082	$ 164		$ 118,246
Net identifiable assets acquired over liabilities assumed	$ 11,112	$ 215		$ 11,327
Goodwill	$ -	$ 6,474		$ 6,474
Net assets acquired over liabilities assumed	$ 11,112	$ 6,689		$ 17,801

(a) Adjustment reflects the fair value adjustment of the acquired security portfolio at the acquisition date.
(b) Adjustment reflects the fair value adjustment of the acquired loan portfolio at the acquisition date.
(c) Adjustment reflects the elimination of TCNB's allowance for loan losses.
(d) Adjustment reflects the fair value adjustment of the cash value of life insurance.
(e) Adjustment reflects the fair value adjustment to TCNB's buildings and furniture & equipment.
(f) Adjustment reflects the recording of the core deposit intangible.
(g) Adjustment reflects the recording of the net deferred tax asset (liability) created by the purchase adjustments.
(h) Adjustment reflects the fair value adjustment of the time deposits at acquisition date.

Consideration:

Number of shares of TCNB common stock outstanding at July 26, 2021	75,000
Cash consideration each TCNB share is entitled to receive	$ 237.34
Total cash consideration	$ 17,800,500

NOTE 2. BUSINESS COMBINATION (Continued)

The discounts on loans will be accreted to interest income over the life of the loans using the level yield method. The core deposit intangible will be amortized over a ten year period on a straight-line basis.

In many cases, determining the fair value of the acquired assets and assumed liabilities requires the Corporation to estimate cash flows expected to result from those assets and liabilities and to discount those cash flows at appropriate rates of interest. The most significant of those determinations is related to the fair valuation of acquired loans. Acquired loans are initially recorded at their acquisition date fair values. The carryover of the allowance for loan losses is prohibited, as any credit losses in the loans are included in the determination of the fair value of the loans at the acquisition date. Fair values for acquired loans are based on a discounted cash flow methodology that involves assumptions including the remaining life of the acquired loans, estimated prepayments, estimated value of the underlying collateral and net present value of cash flows expected to be collected. Acquired loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that the acquirer will be unable to collect all contractually required payments are specifically identified and analyzed. The excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable discount and is recognized in interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable discount. The non-accretable discount represents estimated future credit losses expected to be incurred over the life of the loan.

Loans at the acquisition date are presented in the following table at fair value (amounts in thousands).

	Acquired Impaired Loans	Acquired Performing Loans	Total Acquired Loans
Residential real estate	$ -	$ 15,829	$ 15,829
Commercial real estate	-	18,162	18,162
Agricultural	-	1,770	1,770
Commercial	-	15,393	15,393
Consumer	-	14,874	14,874
Total Loans	$ -	$ 66,028	$ 66,028

NOTE 3. CASH AND DUE FROM BANKS

The Banks may be required by the Federal Reserve Bank to maintain daily cash balances. Both UB and TCNB are required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. On March 15, 2020, the Federal Reserve System Board announced an interim final rule amending Regulation D to lower all transaction account reserve requirement ratios to zero percent, thereby eliminating all reserve requirements, although it did reserve the right to require a reserve requirement at a future date.

NOTE 4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale at December 31, 2021 and 2020 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
December 31, 2021:				
U.S. Treasury securities	$ 2,468,131	$ -	$ (50,943)	$ 2,417,188
U.S. government sponsored agencies	75,100,416	572,579	(900,910)	74,772,085
State and political subdivisions	85,884,828	1,454,852	(1,049,844)	86,289,836
Corporate bonds	8,458,995	90,688	(205,240)	8,344,443
Mortgage-backed securities	109,188,763	193,414	(2,252,047)	107,130,130
	$ 281,101,133	$ 2,311,533	$ (4,458,984)	$ 278,953,682
December 31, 2020:				
U.S. government sponsored agencies	$ 28,311,781	$ 1,054,189	$ (67,184)	$ 29,298,786
State and political subdivisions	49,655,307	1,983,559	(88,391)	51,550,475
Corporate bonds	7,515,956	13,283	(28,796)	7,500,443
Mortgage-backed securities	56,032,250	614,332	(141,717)	56,504,865
	$ 141,515,294	$ 3,665,363	$ (326,088)	$ 144,854,569

The amortized cost and fair value of investment securities held to maturity at December 31, 2021 and 2020 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity				
December 31, 2021:				
U.S. government sponsored agencies	$ 4,993,546	$ 107,528	$ -	$ 5,101,074
State and political subdivisions	6,793,506	210,573	-	7,004,079
	$ 11,787,052	$ 318,101	$ -	$ 12,105,153
December 31, 2020:				
U.S. government sponsored agencies	$ 5,991,656	$ 254,639	$ -	$ 6,246,295
State and political subdivisions	8,710,047	311,399	-	9,021,446
	$ 14,701,703	$ 566,038	$ -	$ 15,267,741

NOTE 4. INVESTMENT SECURITIES (Continued)

Those investment securities classified as available for sale which have an unrealized loss position at December 31, 2021 and 2020 are detailed below:

	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2021:						
U.S. Treasury securities	$ (50,943)	$ 2,417,188	$ -	$ -	$ (50,943)	$ 2,417,188
U.S. government sponsored agencies	(843,793)	49,874,819	(57,117)	1,550,700	(900,910)	51,425,519
State and political subdivisions	(595,578)	38,183,656	(454,266)	8,069,286	(1,049,844)	46,252,942
Corporate bonds	(4,293)	1,008,965	(200,947)	4,207,478	(205,240)	5,216,443
Mortgage-backed securities	(1,423,814)	72,569,677	(828,233)	25,654,464	(2,252,047)	98,224,141
Total securities	$ (2,918,421)	$ 164,054,305	$ (1,540,563)	$ 39,481,928	$ (4,458,984)	$ 203,536,233
December 31, 2020:						
U.S. government sponsored agencies	$ (430)	$ 1,977,713	$ (66,754)	$ 5,842,228	$ (67,184)	$ 7,819,941
State and political subdivisions	(88,391)	8,992,599	-	-	(88,391)	8,992,599
Corporate bonds	(28,796)	5,349,639	-	-	(28,796)	5,349,639
Mortgage-backed securities	(136,007)	23,551,196	(5,710)	1,157,014	(141,717)	24,708,210
Total securities	$ (253,624)	$ 39,871,147	$ (72,464)	$ 6,999,242	$ (326,088)	$ 46,870,389

The unrealized losses on 198 investment securities available for sale at December 31, 2021 were attributable to changes in market interest rates since the securities were purchased. The Corporation systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis requires management to consider various factors, which include (1) duration and magnitude of the decline in value, (2) the financial condition of the issuer or issuers, (3) structure of the security and (4) the Corporation's intent to sell the security or whether it is more likely than not that the Corporation would be required to sell the security before its anticipated recovery in market value. Because the Corporation does not currently intend to sell the investment securities and it is not more likely than not that the Corporation will be required to sell the investment securities before recovery of their amortized cost bases, which may be maturity, the Corporation does not consider these investment securities to be other-than-temporarily impaired at December 31, 2021.

The amortized cost and fair value of investment securities as of December 31, 2021 categorized by contractual maturity are shown below. Expected maturities may differ from contractual maturities of mortgage-backed securities because borrowers have the right to call or prepay obligations with or without penalties. Therefore, these securities are not presented by maturity class.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,928,179	$ 1,933,608	$ 2,567,147	$ 2,594,324
Due after one year through five years	24,528,080	24,565,129	6,334,039	6,502,702
Due after five years through ten years	42,918,680	43,011,922	2,268,195	2,354,543
Due after ten years	102,537,431	102,312,893	617,671	653,584
Mortgage-backed securities	109,188,763	107,130,130	-	-
	$ 281,101,133	$ 278,953,682	$ 11,787,052	12,105,153

NOTE 4. INVESTMENT SECURITIES (Continued)

The gross gains and gross losses realized by the Corporation from sales of investment securities available for sale for the years ended December 31, 2021 and 2020 were as follows:

	Years Ended December 31, 2021	Years Ended December 31, 2020
Gross gains	$ 138,138	$ 329,577
Gross losses	(53,841)	(118,227)
Net realized gains	$ 84,297	$ 211,350

Investment securities with carrying values of $57,927,356 and $43,838,089 at December 31, 2021 and 2020, respectively, were pledged to secure federal funds lines, Federal Home Loan Bank advances, and public and trust deposits as required by law and for other purposes.

Other equity investment securities consist of the following as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Federal Home Loan Bank of Atlanta	$ 889,500	$ 980,500
First National Banker's Bankshares, Inc.	936,014	701,400
Central Alabama Title Center, LLC	30,000	30,000
Federal Reserve Bank	22,500	-
First Community, LP	2,500	2,500
Federal Agricultural Mortgage Corporation	10,153	10,153
United Bancorp Capital Trust II	310,000	310,000
Sub-CDE Investments	17,600	12,750
	$ 2,218,267	$ 2,047,303

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES

Portfolio Segments and Classes

At December 31, 2021 and 2020, the composition of the loan portfolio was as follows:

	December 31, 2021	December 31, 2020
Real estate:		
Construction and land loans	$ 69,214,085	$ 40,537,174
Farmland	44,649,907	39,996,893
1-4 family residential mortgages	102,328,068	85,180,611
Multifamily	18,287,096	19,720,020
Commercial	123,445,321	98,052,164
Agricultural	37,417,754	35,885,588
Commercial	195,975,020	166,626,396
Consumer	35,293,190	20,306,389
States and political subdivisions	24,937,164	14,802,403
Other loans	5,607,888	5,177,448
Total	$ 657,155,493	$ 526,285,086

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Portfolio Segments and Classes (Continued)

For purposes of the disclosures required pursuant to ASC 310, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for loan losses. There are six primary loan portfolio segments that include real estate, agriculture, commercial, consumer, state and political subdivisions and other loans. A class is generally determined based on the initial measurement attribute, risk characteristic of the loan, and an entity's method for monitoring and assessing credit risk. Classes within the real estate portfolio segment include construction and land loans, farmland, 1-4 family residential mortgages, multifamily, and commercial. The portfolio segments of all other non-real estate loans have not been further segregated by class.

The following describe risk characteristics relevant to each of the portfolio segments:

Real Estate - As discussed below, the Corporation offers various types of real estate loan products. All loans within this portfolio segment are particularly sensitive to the valuation of real estate:

- Construction and land loans are repaid through cash flow related to the operation, sale or refinance of the underlying property. This portfolio class includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.
- 1-4 family residential mortgages and farmland loans are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.
- Commercial loans include owner-occupied commercial real estate loans and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the business. Real estate loans for income-producing multifamily properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties.

Agricultural and Commercial - These loans include those loans to agricultural and commercial customers for use in normal business operations to finance working capital needs, crop production, equipment purchases, or expansion projects. Loans are repaid by business and farming cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the borrowers' business operations.

Consumer - The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

State and Political Subdivisions - The state and political subdivision loan portfolio segment includes loans to local municipalities to support municipal operations and projects. Loans are repaid generally from tax revenues collected in those municipalities.

Other Loans - The other loans portfolio segment includes loans to non-related bank holding companies to invest in subordinated-debt. Loans are interest only, fixed rate with interest payable semi-annually.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

U.S. Small Business Administration Paycheck Protection Program

UB participated in the Paycheck Protection Program (PPP), a loan program originated from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequently expanded by the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA). The PPP provides loans of up to $10 million to small businesses affected by economic conditions resulting from the COVID-19 pandemic to provide cash-flow assistance to employers for maintaining their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. PPP loans carry an interest rate of 1% and a maturity of two or five years.

Under this program, UB provided approximately $94 million in funding to 1,315 customers. The average PPP loan was approximately $55,000. As compensation for originating the loans, the Corporation received lender processing fees from the U.S. Small Business Administration (SBA) totaling approximately $4.8 million. Processing fees per loan range from 1% to 5% based on the size of the loan, and are deferred and amortized into interest income over the loans' contractual lives. Upon forgiveness of a loan by the SBA, any unrecognized net deferred fees related to the loan are recognized as interest income in the period the SBA forgiveness payment is received.

These PPP loans are fully guaranteed by the SBA and are not included in UB’s allowance for loan losses calculation. If the borrower meets certain criteria and uses the proceeds toward eligible expenses in accordance with the requirements of the PPP, the borrower's obligation to repay the loan can be forgiven up to the full principal amount of the loan plus any accrued interest. Upon borrower forgiveness, the SBA pays UB for the principal and accrued interest owed on the loan. If the full principal of the loan is not forgiven, the loan will operate according to the original loan terms with the SBA guaranty remaining in place. Approximately $10.6 million and $37.6 million in PPP loans remain outstanding as of December 31, 2021 and 2020, respectively.

Credit Risk Management

The Corporation assigns a risk rating to each loan when approved. The rating categories are based on information about the ability of borrowers to service the debt. Such information includes, among other things, current financial information, payment history, credit documentation and current economic conditions. Loan Officers are expected and required to initiate recommendations for changes in assigned risk ratings according to changes in the overall levels of risk in each loan in their portfolio no less than monthly. The current risk rating will be reviewed from time to time by the Chief Credit Officer and the Special Assets Officer for concurrence. The Corporation uses the following guidelines in determining the appropriate risk rating:

Grade 1: Investment Grade – There is an absence of credit risk. Loans in this category are fully secured by the Banks certificates of deposit or savings accounts (demand deposit accounts are not eligible as collateral). The certificate should be sufficient in amount to cover principal and interest.

Grade 2: Minimal Credit Risk – The overall financial condition is very strong. Businesses should have high liquidity, a history of stable and predictable earnings, a strong management team and the primary source of repayment is clear and subject to little risk. Customers should have a substantial net worth in liquid assets with a well-defined source of repayment.

Grade 3: Attractive Credit Risk – The overall financial condition is good. Financial statements are current and show satisfactory income, profits, cash flow, and debt service coverage, debt to worth ratio and credit history. Loans in this category are properly structured and documented and require only minimal supervision.

Grade 4: Average Risk – The overall financial condition is average. Credit history has been satisfactory. Refinancing could be obtained with normal effort. Financial statements are current and show some volatility in income, profits, cash flow, debt service coverage or credit history. The volatility is easily identifiable and has been addressed and does not constitute an unwarranted level of risk.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

Grade 5: Acceptable Risk – The overall financial condition of the business or individual is acceptable. There is more than average credit risk and the credit should be more closely watched but there is little chance of loss. While acceptable, loans in this category may warrant close monitoring for any number of reasons including inconsistent earnings, leveraged balance sheet, economic conditions, collateral requiring close supervision, financial information that is stale or incomplete or irregular payment record.

Grade 6: Monitor – This asset has potential weakness and deserves management attention. If left uncorrected the potential weakness may result in deterioration of the overall financial condition. There is no room for debt expansion and they are fully leveraged. If liquidation were to take place there could be a minimal loss and thus an analysis should be made to determine if a specific reserve is needed.

Grade 7: Substandard – This asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. Loans in this category involve more than a normal risk. There is limited opportunity to refinance. If liquidation were to take place there could be some recognized loss exposure. If the loan is determined to be impaired, an analysis will be performed to determine the amount of reserve, if any, to be recognized.

Grade 8: Doubtful – A loss is highly likely and there probably will be a default. There is no ability to refinance. At this point collection effort should be in full process. Loans in this category will be reserved at a specific amount in line with the impairment analysis performed if the loan is determined to be impaired.

These risk ratings are summarized into categories as follows: Pass includes loans with Grades 1-5, Special Mention includes loans with a Grade of 6, and Substandard/Doubtful include loans with Grades 7 and 8.

The following tables summarize the credit risk profile of our loan portfolio by internally assigned grades as of December 31, 2021 and 2020.

	Pass	Special Mention	Substandard	Total
	(Dollars in Thousands)			
December 31, 2021:				
Real estate:				
Construction and land loans	$ 62,889	$ 823	$ 5,502	$ 69,214
Farmland	38,184	4,887	1,579	44,650
1-4 family residential mortgages	99,200	942	2,186	102,328
Multifamily	18,287	-	-	18,287
Commercial	118,344	2,740	2,361	123,445
Agricultural	35,329	1,750	339	37,418
Commercial	183,754	7,616	4,605	195,975
Consumer	35,127	50	116	35,293
States and political subdivisions	24,937	-	-	24,937
Other loans	4,011	1,597	-	5,608
Total	$ 620,062	$ 20,405	$ 16,688	$ 657,155

There were no loans considered doubtful as of December 31, 2021.

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Risk Management (Continued)

	Pass	Special Mention	Substandard	Total
		(Dollars in Thousands)		
December 31, 2020:				
Real estate:				
Construction and land loans	$ 39,481	$ 867	$ 189	$ 40,537
Farmland	32,936	2,541	4,521	39,998
1-4 family residential mortgages	82,203	1,913	1,065	85,181
Multifamily	19,720	-	-	19,720
Commercial	93,141	1,944	2,967	98,052
Agricultural	33,669	2,113	104	35,886
Commercial	155,218	11,302	106	166,626
Consumer	20,134	118	54	20,306
States and political subdivisions	14,802	-	-	14,802
Other loans	5,177	-	-	5,177
Total	$ 496,481	$ 20,798	$ 9,006	$ 526,285

There were no loans considered doubtful as of December 31, 2020.

Allowance for Loan Losses

The following tables detail the change in the allowance for loan losses for the years ended December 31, 2021 and 2020. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Beginning Balance	Charge offs	Recoveries	Provision (credit) Allocation	Ending Balance
			(Dollars in Thousands)		
December 31, 2021:					
Real estate	$ 4,123	$ (23)	$ 497	$ 994	$ 5,591
Agriculture	552	(21)	8	(24)	515
Commercial	2,100	(10)	21	999	3,110
Consumer	587	(107)	153	(121)	512
States and political subdivisions	219	-	-	143	362
Other loans	242	(6)	6	(129)	113
Total:	$ 7,823	$ (167)	$ 685	$ 1,862	$ 10,203
December 31, 2020:					
Real estate	$ 2,616	$ (123)	$ 39	1,591	$ 4,123
Agriculture	275	-	-	277	552
Commercial	1,875	(25)	1	249	2,100
Consumer	371	(92)	17	291	587
States and political subdivisions	114	-	-	105	219
Other loans	35	(10)	2	215	242
Total:	$ 5,286	$ (250)	$ 59	$ 2,728	$ 7,823

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Allowance for Loan Losses (Continued)

	Loan Balances			Allowance for Loan Loss		
	Total Loans	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Specific Reserves	General Reserves	Total Reserves
December 31, 2021:			*(Dollars in Thousands)*			
Real estate:						
Construction and land loans	$ 69,214	$ 5,001	$ 64,213	$ 313	$ 1,226	$ 1,539
Farmland	44,650	2,061	42,589	10	537	547
1-4 family residential mortgages	102,328	1,235	101,093	245	1,101	1,346
Multifamily	18,287	-	18,287	-	241	241
Commercial	123,445	2,950	120,495	230	1,688	1,918
Agriculture	37,418	328	37,090	9	506	515
Commercial	195,975	4,467	191,508	262	2,848	3,110
Consumer	35,293	44	35,249	2	510	512
States and political subdivisions	24,937	-	24,937	-	362	362
Other loans	5,608	-	5,608	-	113	113
Total:	$ 657,155	$ 16,086	$ 641,069	$ 1,071	$ 9,132	$ 10,203
December 31, 2020:						
Real estate:						
Construction and land loans	$ 40,537	$ 189	$ 40,348	$ -	$ 131	$ 131
Farmland	39,998	4,892	35,106	10	518	528
1-4 family residential mortgages	85,181	1,018	84,163	88	1,014	1,102
Multifamily	19,720	-	19,720	-	291	291
Commercial	98,052	2,967	95,085	225	1,846	2,071
Agriculture	35,886	92	35,794	25	527	552
Commercial	166,626	543	166,083	104	1,996	2,100
Consumer	20,306	52	20,254	29	558	587
States and political subdivisions	14,802	-	14,802	-	219	219
Other loans	5,177	-	5,177	-	242	242
Total:	$ 526,285	$ 9,753	$ 516,532	$ 481	$ 7,342	$ 7,823

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

The following tables detail the Corporation's impaired loans, by portfolio class, as of December 31, 2021 and 2020.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2021:			*(Dollars in Thousands)*		
With no related allowance recorded:					
Real estate:					
Construction and land loans	$ -	$ -	$ -	$ 38	$ -
Farmland	1,694	1,694	-	1,929	68
1-4 family residential mortgages	574	574	-	668	35
Multifamily	-	-	-	-	-
Commercial	1,719	1,858	-	1,742	100
Agriculture	250	250	-	222	7
Commercial	3,674	3,677	-	739	178
Consumer	20	20	-	4	3
States and political subdivisions	-	-	-	-	-
Other loans	-	-	-	-	-
Total with no related allowance recorded	7,931	8,073	-	5,342	391
With an allowance recorded:					
Real estate mortgages:					
Construction and land loans	$ 5,001	$ 5,001	$ 313	$ 1,000	$ 148
Farmland	367	367	10	373	19
1-4 family residential mortgages	661	661	245	310	32
Multifamily	-	-	-	-	-
Commercial	1,231	1,231	230	1,301	129
Agriculture	78	87	9	187	-
Commercial	793	793	262	549	19
Consumer	24	24	2	44	-
States and political subdivisions	-	-	-	-	-
Other loans	-	-	-	-	-
Total with an allowance recorded	8,155	8,164	1,071	3,764	347
Total impaired loans:	$ 16,086	$ 16,237	$ 1,071	$ 9,106	$ 738

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2020:			(Dollars in Thousands)		
With no related allowance recorded:					
Real estate:					
Construction and land loans	$ 189	$ 189	$ -	$ 199	$ 9
Farmland	4,515	4,567	-	5,482	268
1-4 family residential mortgages	792	792	-	793	38
Multifamily	-	-	-	-	-
Commercial	1,597	1,903	-	1,598	102
Agriculture	-	-	-	-	-
Commercial	7	7	-	70	1
Consumer	-	-	-	-	-
States and political subdivisions	-	-	-	-	-
Other loans	-	-	-	-	-
Total with no related allowance recorded	7,100	7,458	-	8,142	418
With an allowance recorded:					
Real estate mortgages:					
Construction and land loans	-	-	-	-	-
Farmland	377	377	10	381	19
1-4 family residential mortgages	226	226	88	226	4
Multifamily	-	-	-	-	-
Commercial	1,370	1,370	225	1,421	88
Agriculture	92	92	25	97	6
Commercial	536	536	104	540	23
Consumer	52	52	29	48	3
States and political subdivisions	-	-	-	-	-
Other loans	-	-	-	-	-
Total with an allowance recorded	2,653	2,653	481	2,713	143
Total impaired loans:	$ 9,753	$ 10,111	$ 481	$ 10,855	$ 561

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Past Due Loans

The table below provides an age analysis of past due loans as of December 31, 2021 and 2020:

		Past Due Status (Accruing Loans)					
	Current	30-59 Days	60-89 Days	90+ Days	Total Past Due	Nonaccrual	Total
December 31, 2021:				*(Dollars in Thousands)*			
Real estate:							
Construction and land loans	$ 63,745	$ 468	$ -	$ -	$ 468	$ 5,001	$ 69,214
Farmland	43,968	-	-	-	-	682	44,650
1-4 family residential mortgages	100,971	402	245	26	673	684	102,328
Multifamily	18,287	-	-	-	-	-	18,287
Commercial	121,969	75	-	-	75	1,401	123,445
Agriculture	37,340	-	-	-	-	78	37,418
Commercial	191,974	72	214	126	412	3,589	195,975
Consumer	34,623	398	139	86	623	47	35,293
States and political subdivisions	24,937	-	-	-	-	-	24,937
Other loans	5,608	-	-	-	-	-	5,608
Total:	$ 643,422	$ 1,415	$ 598	$ 238	$ 2,251	$ 11,482	$ 657,155
December 31, 2020:							
Real estate:							
Construction and land loans	$ 40,510	$ 27	$ -	$ -	$ 27	$ -	$ 40,537
Farmland	38,579	147	-	-	147	1,272	39,998
1-4 family residential mortgages	84,200	662	60	-	722	259	85,181
Multifamily	19,720	-	-	-	-	-	19,720
Commercial	96,218	397	-	-	397	1,437	98,052
Agriculture	35,765	17	-	-	17	104	35,886
Commercial	166,252	288	-	-	288	86	166,626
Consumer	20,094	183	4	-	187	25	20,306
States and political subdivisions	14,802	-	-	-	-	-	14,802
Other loans	5,177	-	-	-	-	-	5,177
Total:	$ 521,317	$ 1,721	$ 64	$ -	$ 1,785	$ 3,183	$ 526,285

Related Party Transactions

In the ordinary course of business, certain executive officers and directors of the Corporation, including their families and companies with which they are associated, have been granted loans. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan.

Changes in related party loans for the year ended December 31, 2021 are as follows:

Balance, beginning of year	$ 9,256,804
Advancements	10,423,050
Repayments	(8,620,732)
Change in related party	100,059
Balance, end of year	$ 11,159,181

NOTE 5. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructurings

Restructured loans are loans on which, because of a borrower's financial difficulties, the Corporation has granted a concession that would not otherwise be considered. Modifications of terms that could potentially qualify as a restructuring include reduction of contractual interest rate, extension of the maturity date at a contractual interest rate lower than the current market rate for new debt with similar risk, or a reduction of the face amount of debt, or either forgiveness of either principal or accrued interest. The following table summarizes, as of December 31, 2021 and 2020, loans that have been restructured:

	Troubled-Debt Restructurings			
	Number of Loans	Recorded Investment Prior to Modification	Recorded Investment After Modification	Effect on the Allowance for Loan Losses
		(Dollars in Thousands)		
December 31, 2021:				
Real estate:				
Construction and land loans	-	$ -	$ -	$ -
Farmland	1	511	367	(10)
1-4 family residential mortgages	5	451	371	(86)
Multifamily	-	-	-	-
Commercial	1	223	207	(180)
Agricultural	-	-	-	-
Commercial	1	451	443	(55)
Consumer	-	-	-	-
States and political subdivisions	-	-	-	-
Other loans	-	-	-	-
Total:	8	$ 1,636	$ 1,388	$ (331)
December 31, 2020:				
Real estate:				
Construction and land loans	-	$ -	$ -	$ -
Farmland	1	511	377	(10)
1-4 family residential mortgages	5	452	393	(73)
Multifamily	-	-	-	-
Commercial	1	223	214	(175)
Agricultural	-	-	-	-
Commercial	2	517	458	(60)
Consumer	-	-	-	-
States and political subdivisions	-	-	-	-
Other loans	-	-	-	-
Total:	9	$ 1,703	$ 1,442	$ (318)

The Corporation has not forgiven any principal on the above loans. At December 31, 2021 and 2020, $304,536 and $339,998, respectively, of the above restructured loans were held as nonaccrual.

As of December 31, 2021 and 2020, there were no loans restructured within the last 12 months that had subsequently defaulted.

NOTE 6. OTHER REAL ESTATE OWNED

The table below presents a summary of the activity related to other real estate owned for the years ending December 31, 2021 and 2020, respectively.

	Years Ended December 31,	
	2021	2020
Balance, beginning of year	$ 157,000	$ 1,083,359
Additions	-	395,000
Other real estate owned acquired in acquisition	170,000	-
Sales proceeds	(262,032)	(1,238,236)
Internally financed sales	-	-
Net gain on sales of other real estate owned	85,032	17,171
Provision for ORE loss	-	(100,294)
Balance, end of year	$ 150,000	$ 157,000

Other real estate owned by type is as follows:

	December 31,	
	2021	2020
Residential real estate	150,000	-
Commercial real estate	-	292,500
ORE valuation allowance	-	(135,500)
	$ 150,000	$ 157,000

Expenses related to other real estate owned for the year ended December 31, 2021 and 2020 are as follows:

	Years Ended December 31,	
	2021	2020
Net gain on sales of other real estate owned	$ (85,032)	$ (17,171)
Provision for other real estate owned losses	-	100,294
Operating expenses, net of lease income	4,954	15,997
	$ (80,078)	$ 99,120

NOTE 7. PREMISES AND EQUIPMENT

At December 31, 2021 and 2020, premises and equipment were as follows:

	December 31,	
	2021	2020
Land	$ 6,169,462	$ 5,828,508
Buildings and leasehold improvements (depreciated over 5 to 50 years)	20,522,058	17,599,634
Furniture, fixtures, and equipment (depreciated over 3 to 10 years)	14,607,355	13,891,670
Automobiles (depreciated over 3 years)	204,697	171,481
	41,503,572	37,491,293
Accumulated depreciation	(24,887,467)	(21,731,218)
	$ 16,616,105	$ 15,760,075

Depreciation expense for the years ended December 31, 2021 and 2020 was $1,451,557 and $1,315,031, respectively.

NOTE 8. DEPOSITS

At December 31, 2021 and 2020, deposits were as follows:

	December 31, 2021	December 31, 2020
Noninterest-bearing accounts	$ 424,238,173	$ 486,405,309
NOW accounts	147,306,195	104,308,971
Money market investment accounts	120,516,190	78,086,149
Savings accounts	124,046,026	83,544,841
Time deposits:		
Time deposits less than $250,000	129,268,578	94,968,864
Time deposits equal to or greater than $250,000	37,355,547	21,565,482
Total deposits	$ 982,730,709	$ 868,879,616

At December 31, 2021, the contractual maturities of time deposits are as follows:

2022	$ 118,103,178
2023	21,065,836
2024	14,992,705
2025	6,506,534
2026	5,950,012
Thereafter	5,860
	$ 166,624,125

At December 31, 2021 and 2020, overdraft demand and savings deposits reclassified to loans totaled $353,587 and $282,153, respectively.

At December 31, 2021, there was one large depositor that had total deposit balances of approximately $37,003,000.

NOTE 9. PARTICIPATION IN U.S. TREASURY PROGRAMS

New Market Tax Credits

On February 13, 2018, UB Community Development, LLC (UBCD), a wholly owned subsidiary of the Corporation, was awarded a $55,000,000 allocation of the 2017 New Markets Tax Credits from the Community Development Financial Institution (CDFI) Fund administered by the U.S. Department of the Treasury. UBCD has fully deployed these tax credits to qualified projects as of December 31, 2021.

On July 15, 2020, UBCD was awarded a $65,000,000 allocation of the 2019 New Markets Tax credits from the CDFI Fund. UBCD will deploy these tax credits to qualified projects. As of December 31, 2021, $56,000,000 has been allocated and closed, $9,000,000 has been allocated to deals expected to close in the first two quarters of 2022.

On September 1, 2021, UBCD was awarded a $65,000,000 allocation of the 2020 New Markets Tax Credits from the CDFI Fund. UBCD will deploy these tax credits to qualified projects. As of December 31, 2021, $65,000,000 has been allocated to deals expected to close across 2022 and 2023.

UB Community Development, LLC has applied for a 2021 allocation, to be awarded in the third quarter of 2022.

NOTE 9. PARTICIPATION IN U.S. TREASURY PROGRAMS (Continued)

Community Development Financial Institutions Income

On April 30, 2021, the Corporation received an award of $8,000,000 from the U.S. Department of Treasury's Capital Magnet Fund (CMF) program administered by the Department of Treasury's Community Development Financial Institutions (CDFI) Fund. The award will be used to develop projects aimed at providing better housing options for low-income families and creating new economic opportunities. The Corporation previously received a CMF award in May 2020 in the amount of $6,000,000.

On August 16, 2021, the Corporation received an award of $1,826,265 from the Rapid Response Program, administered by the CDFI Fund (CDFI RRP). Through the CDFI RRP, CDFIs were provided with resources necessary to respond to the economic impacts of the COVID-19 pandemic in distressed and underserved communities.

In 2020, the Corporation received an award of $202,898 from the Bank Enterprise Award Program (BEA Program) for the 2020 award allocation, administered by the CDFI Fund. The BEA Program is a performance-based grant program that provides monetary awards to FDIC-insured depository institutions that successfully demonstrate an increase in their investments in mission-driven lenders known as CDFIs, or in their own lending, investing, or service activities in highly distressed communities. The BEA Program awards help offset some of the risks and/or costs associated with investing in these highly distressed communities and provide an incentive to increase their investments.

In 2020, the Corporation received an award of $799,000 from the Financial Assistance (FA) program 2019 round, administered by the CDFI Fund. The FA award is earmarked to fund small business initiatives along with strengthening loan loss reserves to mitigate for the higher level of risk associated with lending to businesses in their infancy.

NOTE 10. OTHER BORROWINGS

Other borrowings consist of the following:

	December 31, 2021	December 31, 2020
Federal Home Loan Bank Advances	$ 6,442,342	$ 7,111,415
USDA Re-Lending Program	4,191,017	234,593
NMTC Leverage Loans	2,564,450	2,564,450
Total other borrowings	$ 13,197,809	$ 9,910,458

Federal Home Loan Bank Advances

The Corporation's advances from the Federal Home Loan Bank of Atlanta bearing interest rates, ranging from 1.99% to 2.17% at December 31, 2021. These advances are due at various dates through 2034. The weighted average interest rate as of December 31, 2021 and 2020 was 2.10% and 2.10%, respectively.

At December 31, 2021, Federal Home Loan Bank advances were collateralized by 1-4 family first mortgages of $10,035,873.

NOTE 10. OTHER BORROWINGS (Continued)

USDA Re-Lending Program

During 2016, the Corporation entered into a $40,000,000 promissory note with the United States Department of Agriculture's Community Facilities Direct Loan program, with a 40 year maturity, which will allow it to re-lend funds to eligible borrowers in rural areas in Alabama and Florida on a fixed rate structure. The outstanding balance under this note agreement was $4,191,017 and $234,593 as of December 31, 2021 and 2020, respectively.

NMTC Leverage Loans

As part of the aforementioned NMTC deals, investment funds make qualified equity investments (QEIs)in special purpose subsidiaries that make low-interest loans to qualified businesses in low-income communities. The QEIs are funded with investor equity from the tax credit recipient and leverage loans made by the applicable lender.

In January 2020, CFSA IF leveraged its $3,500,000 total qualified equity investment (QEI) in UBCD Sub-CDE Uniform Golf, LLC with a $2,564,450 leverage loan, payable to The Community Foundation of South Alabama (CFSA). The loan carries a 1.00% interest rate and CFSA IF will make interest-only payments until September 2026, when the Corporation (investor) and CFSA (project sponsor) will execute a put/call option to unwind the transaction. Upon successful execution of the put/call option, the assets and liabilities of CFSA IF would transfer to the project sponsor.

In August 2020, AMCREF IF leveraged its $2,262,800 total QEI in AMCREF Fund 63, LLC with a $1,842,179 leverage loan, payable to UB. The loan carries a 4.00% interest rate and AMCREF IF will make interest-only payments over the seven year compliance period and a balloon payment in August of 2027, at which time the investment fund will dissolve and any remaining assets of AMCREF IF would transfer to the Corporation (the sole member investor in the transaction). The AMCREF IF leveraged loan is eliminated in consolidation.

At December 31, 2021, other borrowings are due as follows:

2026	$ 642,857
Thereafter	12,554,952
	$ 13,197,809

NOTE 11. NOTE PAYABLE TO TRUST

United Bancorp Capital Trust II

In 2007, the Corporation formed a wholly-owned grantor trust to issue cumulative trust preferred securities. The grantor trust has invested the proceeds of the trust preferred securities in junior subordinated debentures of the Corporation. The junior subordinated debentures can be redeemed prior to maturity at the option of the Corporation on or after September 30, 2011. The sole assets of the guarantor trust are the Junior Subordinated Deferrable Interest Debentures of the Corporation (the Debentures) held by the grantor trust. The debentures have the same interest rate (three month LIBOR plus 1.68%, floating) as the trust preferred securities. The interest rate in effect as of December 31, 2021 was 1.812%. The Corporation has the right to defer interest payments on the Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters provided that no extension period may extend beyond the stated maturity of the related Debentures. During any such extension period, distributions on the trust preferred certificates would also be deferred.

NOTE 11. NOTE PAYABLE TO TRUST (Continued)

United Bancorp Capital Trust II (Continued)

Payment of periodic cash distributions and payment upon liquidation or redemption with respect to the trust preferred securities are guaranteed by the Corporation to the extent of funds held by the grantor trust (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations under the Debentures, constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the trust preferred securities.

The trust preferred securities and the related debentures were issued on September 27, 2007. Distributions on the trust preferred securities are paid quarterly on March 30, June 30, September 30 and December 30 of each year. Interest on the Debentures is paid on the corresponding dates. The aggregate principal amount of Debentures outstanding at December 31, 2021 and 2020 was $10,310,000.

NOTE 12. INCOME TAXES

The components of income tax expense are as follows:

	Years Ended December 31,	
	2021	2020
Current:		
Federal	$ 4,873,953	$ 2,947,170
State	1,269,711	720,418
Total	6,143,664	3,667,588
Deferred:		
Federal	(578,909)	(354,044)
State	(155,565)	(108,592)
Total	(734,474)	(462,636)
Income tax expense	$ 5,409,190	$ 3,204,952

Total income tax expense differed from the amount computed by applying the statutory federal income tax rate of 21% to pretax income is as follows:

	Years Ended December 31,	
	2021	2020
Income tax expense at federal statutory rate	$ 5,027,870	$ 3,228,587
Increase (decrease) resulting from:		
Tax exempt interest	(368,021)	(405,703)
Interest disallowance	11,597	16,810
State income tax, net of federal benefit	880,175	483,343
Premium amortization on tax exempt investment securities	54,052	47,302
Cash surrender value of life insurance	(76,241)	(67,980)
Other, net	(120,242)	(97,407)
Total income tax expense	$ 5,409,190	$ 3,204,952

NOTE 12. INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
Deferred tax assets:		
Loans, principally due to the allowance for loan losses	$ 3,009,492	$ 1,964,456
Other real estate, principally due to difference in carrying value	28,620	34,028
Intangible assets	-	3,887
Deferred compensation	357,650	342,298
Accrued expenses	236,096	182,428
Investment securities available for sale	-	872,720
Lease liability	72,774	56,895
Restricted stock units	29,040	29,845
Investments	106,362	-
Other	76,315	14,080
	3,916,349	3,500,637
Deferred income tax liabilities:		
Discount accretion	3,091	3,935
Premises and equipment	146,300	220,083
Intangible assets	145,031	-
Right of use - lease asset	72,774	56,895
Investment securities available for sale	312,262	-
New Market Tax Credit	71,735	51,792
	751,193	332,705
Net deferred income tax assets	$ 3,165,156	$ 3,167,932

The federal and state income tax returns of the Corporation for 2019, 2020, and 2021 are subject to examination, generally for three years after they were filed.

NOTE 13. STOCK BASED COMPENSATION

Stock Options

2018 Equity Incentive Plan

The United Bancorporation of Alabama, Inc. 2018 Equity Incentive Plan (formerly the 2007 Equity Incentive Plan) provides for the grant of stock options, stock appreciation rights, restricted stock awards, performance units, or any combination thereof to officers, directors, and employees of the Corporation to purchase up to an aggregate of 308,000 shares of Class A Stock. As of December 31, 2021, 253,672 shares of stock could be granted in the future. There are no outstanding stock options for years ending December 31, 2021 and 2020.

NOTE 13. STOCK BASED COMPENSATION (Continued)

Restricted Stock

As of December 31, 2021, the Corporation has awarded stock grants in two formats to two distinct classes. Directors have been awarded grants that 100% vest as of the grant date. The second type of grant has been awarded to senior officers of the Corporation. These grants have three-year terms with one-third of the award shares vesting on each grant date anniversary. The expense of these awards is recorded on a straight-line bases over the 36-month term.

	Restricted Shares	Weighted-Average Grant Price Per Share
Balance at December 31, 2019	11,155	$ 18.15
Granted	12,070	20.20
Surrendered	-	-
Vested	(10,553)	19.45
Balance at December 31, 2020	12,672	$ 19.02
Granted	12,327	28.67
Surrendered	(3,185)	24.81
Vested	(11,697)	22.79
Balance at December 31, 2021	10,117	$ 24.59

As of December 31, 2021, there was $171,029 of total unrecognized compensation cost related to non-vested restricted stock, to be recognized over weighted average remaining period of 1.7 years.

NOTE 14. DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

The Corporation sponsors a dividend reinvestment and share purchase plan. Under the plan, all holders of record of common stock are eligible to participate in the plan. Participants in the plan may direct the plan administrator to invest cash dividends declared with respect to all or any portion of their common stock. Participants may also make optional cash payments that will be invested through the plan. All cash dividends paid to the plan administrator are invested within 30 days of cash dividend payment date. Cash dividends and optional cash payments will be used to purchase common stock of the Corporation in the open market, from newly-issued shares, from shares held in treasury, in negotiated transactions, or in any combination of the foregoing. The purchase price of the shares of common stock is based on the average market price. All administrative costs are borne by the Corporation.

For the year ended December 31, 2021, 4,488 shares were purchased under the Plan. Regular cash dividends of $0.28 per share were declared in 2021. For the year ended December 31, 2020, 4,208 shares were purchased under the Plan. Regular cash dividends of $0.25 per share were declared in 2020.

NOTE 15. EMPLOYEE BENEFIT PLANS

401(k) Employee Stock Ownership Plan

During 2017, the Corporation amended its 401(k) Savings Plan and adopted a 401(k) Employee Stock Ownership Plan (the "KSOP"), which covers substantially all employees over 21 years of age with at least one year of service. Employees may defer up to 5.5% of their compensation monthly. The Bank makes annual discretionary matching contributions of 5.5% of the employees' contributions, not to exceed 5.5% of the participating employees' compensation. The Corporation may also make additional discretionary contributions to the KSOP which is unrelated to any employer matching contributions. For the years ended December 31, 2021 and 2020, the Corporation expensed $478,234 and $404,367, respectively, for matching discretionary contributions to this Plan. Shares of Corporation common stock owned by the KSOP plan total 97,213 and 79,733 as of December 31, 2021 and 2020 with a fair value of $2,891,115 and $1,774,059, respectively. All KSOP shares have been fully allocated to the participants.

During the second quarter of 2019, the KSOP leveraged $2.0 million from the Corporation to purchase 100,000 shares in the Corporation's private placement. The shares are securitized by a note held by the Corporation and paid by the Bank with an interest rate of 3.15%, annual principal and interest payments of $234,559 that are due at December 31 each year until maturity of December 31, 2028. As principal payment is made towards the note, the corresponding amount of shares are to be released from the reserve and allocated to participants' accounts. As a result, the KSOP reserve shares are excluded from equity until the shares are paid in full and no longer encumbered. The balance of shares in the KSOP Reserve for the year ended December 31, 2021 and 2020 were 38,073 and 48,280 with a fair value of $1,132,291 and $1,074,230, respectively.

During the third quarter of 2021, the KSOP entered into an internal loan (employer loan) with UB to purchase 69,705 shares. The shares, being already issued and outstanding, were placed in the KSOP's account as unallocated KSOP shares. The shares are securitized by a note held by UB with an interest rate of 2.15%, annual principal and interest payments of $154,075 that are due at December 31 each year until maturity of December 31, 2030. As principal payment is made towards the note, the corresponding amount of shares are to be released and allocated to participant's accounts. As a result, the shares are excluded from equity until the shares are paid in full and no longer encumbered. The balance of shares on hold in the KSOP's account for year ended December 31, 2021 was 62,432 with a fair value of $1,856,728.

Profit-Sharing Plan

The Corporation also maintains a profit–sharing plan for eligible employees. Eligibility requirements for this plan are the same as the 401(k) Employee Incentive Savings Plan. Benefits paid under the Plan are subject to approval by the Board of Directors each year. Contributions to the Plan charged to expense during 2021 and 2020 were $120,000 and $120,000, respectively.

Salary Continuation Plan

The Corporation provides a salary continuation plan providing for death and retirement benefits for certain executive officers. The present value of the estimated amounts to be paid under the plan is being accrued over the remaining service period of the executives. The expense recognized for the salary continuation plan amounted to $163,133 and $136,974 for the years ended December 31, 2021 and 2020, respectively. The balance of the liability for the salary continuation plan included in other liabilities at December 31, 2021 and 2020 totaled $1,424,175 and $1,363,042, respectively.

The cost of the salary continuation plan described above is being offset by earnings from bank owned life insurance policies on the executives. The balance of the policy surrender values totaled $17,341,720 and $12,033,331 at December 31, 2021 and 2020, respectively. Income recognized from the increase in cash surrender value on these policies totaled $324,745 and $323,715 for the years ended December 31, 2021 and 2020, respectively.

NOTE 15. EMPLOYEE BENEFIT PLANS (Continued)

Employee Stock Purchase Plan

The Corporation sponsors an employee stock purchase plan which is available to all employees subject to certain minimum service requirements. The Plan is administered by a Board appointed committee which designates the offering period in which employees may purchase shares and the offering price. All administrative costs are borne by the Corporation. No shares were purchased under the Plan for the years ended December 31, 2021 and 2020, respectively.

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic (FASB ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Corporation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available for Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

The following tables present financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively:

		Fair Value Measurements at December 31, 2021 Using		
	Assets Measured at Fair Value December 31, 2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$ 278,953,682	$ 2,417,188	$ 276,536,494	$ -

		Fair Value Measurements at December 31, 2020 Using		
	Assets Measured at Fair Value December 31, 2020	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$ 144,854,569	$ -	$ 144,854,569	$ -

Assets Measured at Fair Value on a Nonrecurring Basis

Following is a description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Impaired Loans

Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the present value of estimated future cash flows using the loan's existing rate, or the fair value of collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan is confirmed. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the loan impairment as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the loan impairment as nonrecurring Level 3.

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured at Fair Value on a Nonrecurring Basis (Continued)

Other Real Estate Owned

Other real estate owned is adjusted to fair value upon transfer from the loan portfolio. Subsequently, other real estate assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the other real estate as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the other real estate as nonrecurring Level 3.

The following tables present the assets carried on the consolidated balance sheets by caption and by level within the (FASB ASC 820) valuation hierarchy (as described above) as of December 31, 2021 and 2020, for which a nonrecurring change in fair value has been recorded during the years ended December 31, 2021 and 2020, respectively.

		Carrying Value at December 31, 2021		
	Assets Measured at Fair Value December 31, 2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 7,123,041	$ -	$ -	$ 7,123,041
Other real estate	150,000	-	-	150,000

		Carrying Value at December 31, 2020		
	Assets Measured at Fair Value December 31, 2020	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 2,171,950	$ -	$ -	$ 2,171,950
Other real estate	157,000	-	-	157,000

Impaired loans, which are usually measured for impairment using the fair value of collateral, had a carrying amount of $16,087,580 and $9,753,876, with a specific valuation allowance of $1,070,680 and $481,505 at December 31, 2021 and 2020, respectively. Of the $16,087,580 and $9,753,886 impaired loan portfolio, $8,193,721 and $2,653,455 were carried at fair value as a result of charge offs and specific valuation allowances at December 31, 2021 and 2020, respectively. The remaining $7,893,859 and $7,100,431 was carried at cost, as the fair value of the collateral on these loans exceeded the book value for each individual loan at December 31, 2021 and 2020, respectively.

The Corporation considers the fair value of other real estate owned to be the liquidation value from the current appraisal. Due to the subjective nature, incorporating both observable and unobservable inputs factored into the appraisal process, including various assumptions and expectations on cash flows, all of the Corporation's other real estate owned carried at fair value are classified within Level 3 of the valuation hierarchy.

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS (Continued)

Quantitative Disclosures for Level 3 Fair Value Measurements

The Corporation had no Level 3 assets measured at fair value on a recurring basis at December 31, 2021 or 2020.

For Level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2021, the significant unobservable inputs used in the fair value measurements are presented below.

	Carrying Amount	Valuation Technique	Significant Unobservable Input	Weighted Average of Input
Nonrecurring:				
Impaired loans	$ 7,085,463	Appraisal	Appraisal discounts (%)	15-20 %
Other real estate owned	150,000	Appraisal	Appraisal discounts (%)	10-20 %

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2020, the significant unobservable inputs used in the fair value measurements are presented below.

	Carrying Amount	Valuation Technique	Significant Unobservable Input	Weighted Average of Input
Nonrecurring:				
Impaired loans	$ 2,171,950	Appraisal	Appraisal discounts (%)	15-20 %
Other real estate owned	157,000	Appraisal	Appraisal discounts (%)	10-20 %

Fair Value of Financial Instruments

The assumptions used in estimating the fair value of the Corporation’s financial instruments are explained below. Where quoted market prices are not available, fair values are based on estimates using discounted cash flow and other valuation techniques. Discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following fair value estimates cannot be substantiated by comparison to independent markets and should not be considered representative of the liquidation value of the Corporation’s financial instruments, but rather a good–faith estimate of the fair value of financial instruments held by the Corporation. FASB ASC 820 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and Short-Term Investments: Fair value approximates the carrying value of such assets.

Investment Securities and Other Securities: The fair value of investment securities is based on quoted market prices. The fair value of other securities, which includes Federal Home Loan Bank stock and other correspondent stocks, approximates their carrying value.

Loans: The fair value of loans is calculated using discounted cash flows and excludes lease-financing arrangements. The discount rates used to determine the present value of the loan portfolio are estimated market discount rates that reflect the credit and interest rate risk inherent in the loan portfolio. The estimated maturities are based on the Corporation’s historical experience with repayments adjusted to estimate the effect of current market conditions.

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (Continued)

***Deposits**:* The fair value of deposits with no stated maturity, such as non–interest bearing demand deposits, NOW accounts, savings and money market deposit accounts, approximates the carrying value. Certificates of deposit have been valued using discounted cash flows. The discount rates used are based on estimated market rates for deposits of similar remaining maturities.

The fair value estimates in the table below do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.
***Other Borrowings and Note Payable to Trust**:* The fair value of the Corporation's note payable to trust and its revolving line of credit approximates the carrying value of such liabilities. The fair value of FHLB advances have been valued using discounted cash flows. The discount rates used are based on estimated market rates for borrowings of similar remaining maturities.

***Accrued Interest**:* The fair value of accrued interest receivable and payable approximates their carrying value.

***Commitments to Extend Credit and Standby Letters of Credit**:* There is no market for the commitment to extend credit and standby letters of credit and they were issued without explicit cost. Therefore, it is not practical to establish their fair value.

The carrying value and estimated fair value of the Corporation's financial instruments at December 31, 2021 and 2020 are as follows:

	Fair Value Measurements at December 31, 2021			
	Carrying Amount	Level 1	Level 2	Level 3
	(Dollars in Thousands)			
Financial assets:				
Cash and short-term investments	$ 120,182	$ 120,182	$ -	$ -
Investment securities-available for sale	278,954	-	278,954	-
Investment securities-held to maturity	11,787	-	12,105	-
Loans held for sale	63	-	63	-
Loans held for investment, net of the allowance for loan losses	646,952	-	647,698	7,123
Bank owned life insurance	17,342	-	17,342	-
Other equity investments	2,218	-	-	2,218
Other real estate owned	150	-	-	150
Accrued interest receivable	5,248	-	5,248	-
Financial liabilities:				
Deposits	982,731	-	932,184	-
Other borrowings	13,198	-	13,138	-
Note payable to trust	10,310	-	10,310	-
Accrued interest payable	157	-	157	-

NOTE 16. FAIR VALUATION OF FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (Continued)

	Fair Value Measurements at December 31, 2020			
	Carrying Amount	Level 1	Level 2	Level 3
	(Dollars in Thousands)			
Financial assets:				
Cash and short-term investments	$ 262,883	$ 262,883	$ -	$ -
Investment securities-available for sale	144,855	-	144,855	-
Investment securities-held to maturity	14,702	-	15,268	-
Loans held for sale	2,818	-	2,818	-
Loans held for investment, net of the allowance for loan losses	518,463	-	521,833	2,172
Bank owned life insurance	12,033	-	12,033	-
Other equity investments	2,047	-	-	2,047
Other real estate owned	157	-	-	157
Accrued interest receivable	4,175	-	4,175	-
Financial liabilities:				
Deposits	868,880	-	882,591	-
Other borrowings	9,910	-	9,910	-
Note payable to trust	10,310	-	10,310	-
Accrued interest payable	219	-	219	-

NOTE 17. GOODWILL AND INTANGIBLE ASSETS

The Corporation recorded goodwill of $6,474,056 and a core deposit intangible in the amount of $671,000 associated with the acquisition of Town-Country National Bank.

Changes to the carrying amount of goodwill for the years ended December 31, 2021 and 2020 are provided in the following table.

	2021	2020
Balance at beginning of year	$ -	$ -
Goodwill from TCNB acquisition	6,474,056	-
Balance at end of year	$ 6,474,056	$ -

A summary of core deposit intangible assets as of December 31, 2021 and 2020 is set forth below.

	2021	2020
Gross carrying amount	$ -	$ -
Core deposit intangible from TCNB acquisition	671,000	-
Less: accumulated amortization	(27,960)	-
Net carrying amount	$ 643,040	$ -

NOTE 17. GOODWILL AND INTANGIBLE ASSETS (Continued)

The core deposit intangible is amortized using a straight-line method over ten years from the date of the acquisition. Amortization expense for the year ended December 31, 2021 was $27,960.

Estimated amortization expenses related to the core deposit intangible assets for the next five years are as follows:

2022	$ 67,104
2023	67,104
2024	67,104
2025	67,104
2026	67,104
Thereafter	307,520
	$ 643,040

NOTE 18. DIVIDENDS FROM SUBSIDIARIES

Dividends paid by the Banks are the primary source of funds available to the Corporation for payment of dividends to its stockholders and for other needs. Applicable federal and state statutes and regulations impose restrictions on the amounts of dividends that may be declared by the subsidiary bank. In addition, the subsidiary bank is also required to maintain minimum amounts of capital to both total “risk-weighted” assets and total average assets, as defined by banking regulators. Capital adequacy considerations could further limit the availability of dividends from the subsidiary bank. The payment of dividends from the Banks are regulated by the Alabama State Banking Department and may be limited based on earnings and credit losses. Future payments of dividends by the Banks to the Corporation will be dependent on earnings, loan losses and compliance with applicable regulations of the Alabama State Banking Department and applicable federal regulators.

UBCD also has the discretion to provide dividends to the Corporation. The payment of dividends from UBCD is not regulated by the Alabama State Banking Department nor applicable federal regulators.

NOTE 19. LITIGATION

The Corporation is involved in various legal proceedings arising in connection with their business. In the opinion of management, the ultimate resolution of these proceedings is not expected to have a material adverse effect upon the financial statements of the Corporation.

NOTE 20. COMMITMENTS

The Corporation leases certain property and equipment for use in its business. These leases have lease terms generally not in excess of five years. The Corporation is not committed to any operating leases, which have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2021.

Rental expense for all operating leases charged to earnings aggregated $134,745 and $132,035 for the years ended December 31, 2021 and 2020, respectively.

NOTE 20. COMMITMENTS (Continued)

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such instruments involve elements of credit risk in excess of the amounts recognized in the consolidated financial statements.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Corporation uses the same credit policies in making conditional obligations as it does for on-balance sheet instruments.

The financial instruments whose contractual amounts represent credit risk as of December 31, 2021 and 2020 are approximately as follows:

	December 31,	
	2021	2020
Commitments to extend credit	$ 100,456,574	$ 64,952,626
Standby letters of credit	3,402,624	3,769,465
	$ 103,859,198	$ 68,722,091

Standby letters of credit are commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation holds various assets as collateral supporting those commitments for which collateral is deemed necessary.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

NOTE 21. REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Corporation's revenue from contracts with customers in the scope of ASC 606 organized within noninterest income for the twelve months ended December 31, 2021 and 2020. Items outside of the scope of ASC 606 are noted as such (a).

	Years Ended December 31,	
	2021	2020
Noninterest income:		
Service charges and fees	$ 5,834,765	$ 4,772,309
CDFI award income	9,826,265	7,002,251
New market tax credit sub-allocation and placement fees	1,800,000	880,000
Consulting fees	1,577,500	160,000
Investment securities gains, net (a)	84,297	211,350
Mortgage loan and related fees (a)	1,194,714	1,181,987
Other income	2,365,636	2,024,610
Total noninterest income	$ 22,683,177	$ 16,232,507

(a) Not within scope of ASC 606.

NOTE 21. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

A description of the Corporation's significant revenue streams accounted under ASC 606 follows:

Service charges and fees*:* Revenue from service charges on deposit accounts is earned through cash management, wire transfer, overdraft, non-sufficient funds and other deposit-related services. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transaction-related services and fees. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customer's accounts. This category also includes interchange fees from consumer credit and debit cards processed by card association networks, as well as merchant discounts and other card-related services. Interchange rates are generally set by credit card associations and based on purchase volumes and other factors. Interchange fees and merchant discounts are recognized concurrently with the delivery of service on a daily basis as transactions occur. Payment is typically received immediately or in the following month.

CDFI award income: The Corporation received awards from the U.S. Department of Treasury's CDFI Fund for both the Capital Magnet Fund (CMF) and Financial Assistance (FA) programs. The awards are recognizable upon receipt with no contractual terms associated with the award.

New market tax credit sub-allocation and placement fees*:* Revenue from new market tax credit (NMTC) sub-allocation and placement fees are in connection with the closing of the NMTC transaction. Fees are received from the Investment Fund (Placement Fee) and Sub-CDE level (Sub-Allocation Fee) of the transaction. In addition to these fees paid at closing, the Corporation receives ongoing fees to manage the activities (Asset Management Fee). All fees are documented in a Fee Agreement at the closing of the transaction. As stated in ASC 606, "an entity shall recognize revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer". The Fee Agreement is a negotiated document that states the Corporation (or its subsidiaries) has performed the services necessary to earn the Sub-Allocation and Placement Fee. These fees are earned when Corporation (or its subsidiaries) has sub-allocated NMTC allocation to the Sub-CDE and has helped foster the Qualified Equity Investment (QEI) by the Investment Fund into the Sub-CDE such that the tax credit investor is able to start taking credits. In performing these tasks, the Corporation (or its subsidiaries) has fully transferred the allocation to the Sub-CDE and the benefit of the QEI to the Investment Fund. Through the Fee Agreement these entities are recognizing that the Corporation (or its subsidiaries) has met its obligations and agree to pay the Corporation (or its subsidiaries) for these tasks, satisfying all conditions precedent to recognize the Sub-Allocation and Placement fee revenue.

Consulting fees: The Corporation (or its subsidiaries) provides consulting services to the client when NMTC expertise is needed to structure a transaction. These fees are earned when the Corporation (or its subsidiaries) provides services to the client as it relates to sourcing of NMTC allocation, the structuring of the transaction, finding an investor to purchase the credits and assisting in the overall closing of the transaction. Fees are documented in a Fee Agreement with the customer and are recognized when the NMTC transaction closes.

Other income: Other operating income primarily consist of revenues generated from ATM fees and safe deposit box rentals. ATM fees are recognized concurrently with the delivery of service on a daily basis as transactions occur. Safe deposit box rentals income are recognized on a monthly basis as the Corporation's performance obligation for these services is satisfied.

NOTE 22. OTHER NONINTEREST EXPENSE

Components of other noninterest expense considered significant by the Corporation for the years ended December 31, 2021 or 2020, respectively, include the following:

	Years Ended December 31, 2021	Years Ended December 31, 2020
Accounting and audit	$ 543,059	$ 305,552
Professional fees	1,978,611	595,212
Legal fees	641,373	84,703
Advertising	696,536	499,535
Card-based expense	1,342,065	1,036,240
Network and communications	916,972	883,552
Internet and mobile banking	343,528	350,182
Core processing	907,437	562,527
Other data processing	436,200	434,401
FDIC deposit insurance	255,647	160,000
Provision for other real estate owned losses	-	100,294
Other	3,044,949	2,582,371
	$ 11,106,377	$ 7,594,569

NOTE 23. CONCENTRATIONS OF CREDIT RISK

The Corporation originates primarily commercial, agricultural, residential, and consumer loans to customers in its primary market areas. The ability of the majority of the Corporation's customers to honor their contractual loan obligations is dependent on the economy in these areas. As of December 31, 2021 and 2020, approximately 51.4% and 54.2%, respectively, of the Corporation's loans were commercial loans, including those secured by real estate. The Corporation's commercial customers are primarily small to middle market enterprises. The Corporation also specializes in agricultural loans, including loans secured by farmland, which represented approximately 12.5% and 14.3% of the Corporation's total loans at December 31, 2021 and 2020, respectively.

Total loans secured by real estate was approximately 54.5% and 53.7% of the Corporation's loan portfolio at December 31, 2021 and 2020, of which a substantial portion is secured by real estate in the Corporation's market areas. At December 31, 2021 and 2020, real estate construction loans accounted for approximately 10.5% and 7.7%, respectively, of the total loan portfolio, while 1-4 family residential mortgage loans made up approximately 15.6% and 16.1%, respectively, of the loan portfolio. A more complete discussion and analysis of the Corporation's loan types and concentrations and the related credit risk is set forth in Note 5.

UB, according to regulatory restrictions, may not generally extend credit to any single borrower or group of related borrowers on a secured basis in excess of 20% of capital, as defined, or approximately $21,585,000 or on an unsecured basis in excess of 10% of capital, as defined, or approximately $10,792,000. TCNB, according to regulatory restrictions, may not generally extend credit to any single borrower or group of related borrowers on a secured basis in excess of 20% of capital, as defined, or approximately $3,790,000 or on an unsecured basis in excess of 10% of capital, as defined, or approximately $1,895,000.

NOTE 24. REGULATORY MATTERS

United Bank

UB is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on UB financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

UB is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2021, approximately $33,179,000 of retained earnings were available for dividend declaration without regulatory approval.

Quantitative measures established by regulation to ensure capital adequacy require UB to maintain minimum amounts and ratios of total capital, Tier 1 capital, and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. In addition, UB is subject to an institution-specific capital buffer, which must exceed 2.50% to avoid limitations on distributions and discretionary bonus payments. Management believes, as of December 31, 2021 and 2020, that UB meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent notification from the Federal Deposit Insurance Corporation categorized UB as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed UB's category.

UB's actual capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2021:						
Total Capital to Risk-Weighted Assets	$ 104,711	15.335%	$ 71,699	10.500%	$ 68,284	10.000%
Tier 1 Capital to Risk-Weighted Assets	$ 96,160	14.082%	$ 58,042	8.500%	$ 54,628	8.000%
CET1 Capital to Risk-Weighted Assets	$ 96,160	14.082%	$ 47,799	7.000%	$ 44,385	6.500%
Tier 1 Capital to Average Total Assets	$ 96,160	9.335%	$ 41,202	4.000%	$ 51,503	5.000%
As of December 31, 2020:						
Total Capital to Risk-Weighted Assets	$ 87,314	15.148%	$ 60,524	10.500%	$ 57,642	10.000%
Tier 1 Capital to Risk-Weighted Assets	$ 80,101	13.897%	$ 48,996	8.500%	$ 46,114	8.000%
CET1 Capital to Risk-Weighted Assets	$ 80,101	13.896%	$ 40,349	7.000%	$ 37,467	6.500%
Tier 1 Capital to Average Total Assets	$ 80,101	8.940%	$ 35,840	4.000%	$ 44,800	5.000%

NOTE 24. REGULATORY MATTERS (Continued)

Town-Country National Bank

TCNB is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on TCNB's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, TCNB must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

TCNB is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2021, approximately $1,151,000 of retained earnings were available for dividend declaration without regulatory approval.

Quantitative measures established by regulation to ensure capital adequacy require the TCNB to maintain minimum amounts and ratios of total capital, Tier 1 capital, and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. In addition, TCNB is subject to an institution-specific capital buffer, which must exceed 2.50% to avoid limitations on distributions and discretionary bonus payments. Management believes, as of December 31, 2021 that TCNB meets all capital adequacy requirements to which it is subject.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by TCNB as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirement in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and a 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that TCNB maintains a leverage ratio of 7% as of December 31, 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2021, TCNB was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

NOTE 24. REGULATORY MATTERS (Continued)

Town-Country National Bank (Continued)

Actual and required capital amounts (in thousands) and ratios are presented below at year end:

The Bank's actual capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2021:						
Tier 1 Capital (to Average Assets)	$ 11,321	8.7139%	$ 11,043	8.500%	$ 11,043	>=8.500%

NOTE 25. SUBSEQUENT EVENTS

On January 1, 2022, Town-Country National Bank completed and was approved for charter conversion from an Office of the Comptroller of the Currency (OCC) compliant bank to an Alabama State Banking Department governed charter. In conjunction with this charter conversion was a change in the name of the institution from Town-Country National Bank to Town-Country United Bank.

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

We have audited the consolidated financial statements of **United Bancorporation of Alabama, Inc. and Subsidiaries**, as of and for the years ended December 31, 2021 and 2020, and our report thereon dated March 21, 2022, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1 and 2.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 51 and 52 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mauldin & Jenkins, LLC

Birmingham, Alabama
March 21, 2022

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SUPPLEMENTAL INFORMATION

CONSOLIDATING INFORMATION

UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARIES

BALANCE SHEET
DECEMBER 31, 2021

Assets	2021								
	UBA	UB	TCNB	UBCD	CFSA IF	AMCREF IF	PRECONSOLIDATED	ELIMINATIONS	CONSOLIDATED
Cash and due from banks	$ 2,166,163	36,588,541	2,855,226	2,619,048	2,974	54,909	44,286,861	(2,237,092)	42,049,769
Interest-bearing deposits in banks	-	71,126,094	728,249	-	-	-	71,854,343	-	71,854,343
Federal funds sold	-	-	6,278,135	-	-	-	6,278,135	-	6,278,135
Cash and short-term investments	2,166,163	107,714,635	9,861,610	2,619,048	2,974	54,909	122,419,339	(2,237,092)	120,182,247
Investment in subsidiaries	116,896,432	-	-	-	-	2,275,502	119,171,934	(116,863,997)	2,307,937
Securities available for sale, at fair value (amortized cost of $281,101,133 and $141,515,294 at December 31, 2021 and 2020, respectively)	-	232,684,425	46,269,257	-	-	-	278,953,682	-	278,953,682
Securities held to maturity, at amortized cost (fair value of $12,105,153 and $15,267,741 at December 31, 2021 and 2020, respectively)	-	11,787,052	-	-	-	-	11,787,052	-	11,787,052
Restricted equity securities, at cost	316,500	1,570,253	320,414	11,100	-	-	2,218,267	-	2,218,267
Loans held for sale	-	62,864	-	-	-	-	62,864	-	62,864
Loans held for investment	-	594,068,473	64,929,199	-	-	-	658,997,672	(1,842,179)	657,155,493
Less allowance for loan losses	-	9,753,038	450,334	-	-	-	10,203,372	-	10,203,372
Loans, net	-	584,315,435	64,478,865	-	-	-	648,794,300	(1,842,179)	646,952,121
NMTC Sub-CDE QLICI Loans	-	-	-	-	3,500,000	-	3,500,000	-	3,500,000
Premises and equipment, net	-	14,857,972	1,758,133	-	-	-	16,616,105	-	16,616,105
Interest receivable	-	4,743,965	529,555	-	-	-	5,273,520	(25,332)	5,248,188
ESOP note receivable	761,447	-	-	-	-	-	761,447	(761,447)	-
Bank owned life insurance	-	12,903,898	4,437,822	-	-	-	17,341,720	-	17,341,720
Other real estate owned, net	-	-	150,000	-	-	-	150,000	-	150,000
Core Deposit Intangible	-	-	643,040	-	-	-	643,040	-	643,040
Goodwill	-	-	6,474,056	-	-	-	6,474,056	-	6,474,056
Other assets	519,372	6,980,772	904,684	(115,481)	7,258	208,932	8,505,537	-	8,505,537
Total assets	$ 120,659,914	977,621,271	135,827,436	2,514,667	3,510,232	2,539,343	1,242,672,863	(121,730,047)	1,120,942,816
Liabilities and Stockholders' Equity									
Deposits									
Noninterest-bearing	$ -	404,601,219	21,874,046	-	-	-	426,475,265	(2,237,092)	424,238,173
Interest-bearing	-	462,809,922	95,682,614	-	-	-	558,492,536	-	558,492,536
Total deposits	-	867,411,141	117,556,660	-	-	-	984,967,801	(2,237,092)	982,730,709
Interest payable	-	136,902	20,064	-	-	25,332	182,298	(25,332)	156,966
Other borrowings	-	11,394,806	-	-	2,564,450	1,842,179	15,801,435	(2,603,626)	13,197,809
Note payable to Trust	10,310,000	-	-	-	-	-	10,310,000	-	10,310,000
Accrued expenses and other liabilities	640,018	3,561,098	316,810	313,290	220	6,000	4,837,436	-	4,837,436
Total liabilities	10,950,018	882,503,947	117,893,534	313,290	2,564,670	1,873,511	1,016,098,970	(4,866,050)	1,011,232,920
Commitments (Note 18)									
Stockholders' equity									
Preferred stock	-	-	-	-	-	-	-	-	-
Class A common stock	38,043	28,000	75,000	-	944,362	694,269	1,779,674	(1,741,631)	38,043
Class B common stock	-	-	-	-	-	-	-	-	-
Additional paid-in capital	34,137,926	25,127,541	17,725,500	50,000	-	-	77,040,967	(42,903,041)	34,137,926
Retained earnings	79,327,583	73,014,638	701,228	2,151,377	1,200	(28,437)	155,167,589	(75,840,006)	79,327,583
Accumulated other comprehensive income, net of tax	(1,610,587)	(1,042,761)	(567,826)	-	-	-	(3,221,174)	1,610,587	(1,610,587)
	111,892,965	97,127,418	17,933,902	2,201,377	945,562	665,832	230,767,056	(118,874,091)	111,892,965
Less 239 treasury shares, at cost	1,951	-	-	-	-	-	1,951	-	1,951
Less unvested restricted stock and unallocated KSOP shares	2,181,118	2,010,094	-	-	-	-	4,191,212	(2,010,094)	2,181,118
Total stockholders' equity	109,709,896	95,117,324	17,933,902	2,201,377	945,562	665,832	226,573,893	(116,863,997)	109,709,896
Total liabilities and stockholders' equity	$ 120,659,914	977,621,271	135,827,436	2,514,667	3,510,232	2,539,343	1,242,672,863	(121,730,047)	1,120,942,816

See accompanying notes to consolidated financial statements

UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARIES

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2021

	2021								
	UBA	UB	TCNB	UBCD	CFSA IF	AMCREF IF	PRECONSOLIDATED	ELIMINATIONS	CONSOLIDATED
Interest income									
Interest and fees on loans	$ -	29,996,684	2,207,602	-	36,397	-	32,240,683	(66,401)	32,174,282
Interest on investment securities:									
Taxable securities	-	2,424,174	144,095	-	-	-	2,568,269	-	2,568,269
Nontaxable securities	-	790,373	37,201	-	-	-	827,574	-	827,574
Total investment income	-	3,214,547	181,296	-	-	-	3,395,843	-	3,395,843
Other interest income	32,292	178,568	13,299	2	-	-	224,161	(30,416)	193,745
Total interest income	32,292	33,389,799	2,402,197	2	36,397	-	35,860,687	(96,817)	35,763,870
Interest expense									
Interest on deposits	-	2,301,370	92,473	-	-	-	2,393,843	-	2,393,843
Interest on other borrowings and note payable	194,353	253,356	-	-	25,645	66,401	539,755	(96,817)	442,938
Total interest expense	194,353	2,554,726	92,473	-	25,645	66,401	2,933,598	(96,817)	2,836,781
Net interest income	(162,061)	30,835,073	2,309,724	2	10,752	(66,401)	32,927,089	-	32,927,089
Provision for loan losses	-	1,493,134	368,889	-	-	-	1,862,023	-	1,862,023
Net interest income after provision for loan losses	(162,061)	29,341,939	1,940,835	2	10,752	(66,401)	31,065,066	-	31,065,066
Noninterest income:									
Service charges and fees	-	5,374,711	460,054	-	-	-	5,834,765	-	5,834,765
CDFI award income	-	9,826,265	-	-	-	-	9,826,265	-	9,826,265
New market tax credit sub-allocation and placement fees	-	-	-	1,800,000	-	-	1,800,000	-	1,800,000
Consulting fees	-	-	-	1,577,500	-	-	1,577,500	-	1,577,500
Investment securities gains, net	-	84,297	-	-	-	-	84,297	-	84,297
Mortgage loan and related fees	-	1,194,714	-	-	-	-	1,194,714	-	1,194,714
Other	19,758,714	1,780,592	51,977	794,827	221	68,232	22,454,563	(20,088,927)	2,365,636
Total noninterest income	19,758,714	18,260,579	512,031	4,172,327	221	68,232	42,772,104	(20,088,927)	22,683,177
Noninterest expense:									
Salaries and benefits	25,066	14,411,468	811,003	102,000	-	-	15,349,537	-	15,349,537
Net occupancy expense	-	3,232,205	108,864	9,024	-	-	3,350,093	-	3,350,093
Other	1,924,601	8,208,374	631,978	608,018	11,060	41,464	11,425,495	(319,118)	11,106,377
Total noninterest expense	1,949,667	25,852,047	1,551,845	719,042	11,060	41,464	30,125,125	(319,118)	29,806,007
Income before income tax expense	17,646,986	21,750,471	901,021	3,453,287	(87)	(39,633)	43,712,045	(19,769,809)	23,942,236
Income tax expense	(886,060)	4,935,400	199,793	1,172,537	(1,284)	(11,196)	5,409,190	-	5,409,190
Net income	18,533,046	16,815,071	701,228	2,280,750	1,197	(28,437)	38,302,855	(19,769,809)	18,533,046
Net income available to common shareholders	$ 18,533,046	16,815,071	701,228	2,280,750	1,197	(28,437)	38,302,855	(19,769,809)	18,533,046

See accompanying notes to consolidated financial statements