

2021
ANNUAL
REPORT

United Bancorporation 
of Alabama, Inc.



United Bancorporation

of Alabama, Inc.

SENIOR MANAGEMENT

Mike R. Vincent
President & CEO

Leigh Anne Jones
EVP, Chief Financial Officer

Gwen B. Braden
EVP, Chief Operations Officer

Justin S. Jennings
EVP, Chief Retail Officer

David Stewart
EVP, Chief Credit Officer

Alex L. Jones
President
UB Community Development, LLC

Wesley K. Young
EVP, General Counsel

BOARD OF DIRECTORS

UBAB & UB

David D. Swift Sr.
Chairman of the Board

Michael R. Andreoli

Dale M. Ash

Charles D. Cottrell

Richard K. Maxwell

Ricky W. Smith

Ida Ross Swift Hicks

Elmo "Douglas" Ziebach Jr.

UB ONLY

Mike R. Vincent

TCNB

Ricky W. Smith
Chairman of the Board

Douglas Ziebach

Ida Ross Swift Hicks

L. Walter Crim

Mike R. Vincent

Hal Huggins
President

This presentation contains forward-looking statements relating to the financial condition, results of operations and business of United Bancorporation of Alabama, Inc.

These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of the management of United Bancorporation of Alabama, Inc., and the information available to management at the time that this presentation was prepared. Factors that could cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (i) general economic or business conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; (ii) changes in the interest rate environment may reduce net margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; (iii) competitive pressures among depository and other financial institutions may increase significantly; (iv) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which United Bancorporation of Alabama, Inc. is engaged; (v) local, state or federal taxing authorities may take tax positions that are adverse to United Bancorporation of Alabama, Inc.; (vi) adverse changes may occur in the securities markets; (vii) competitors of United Bancorporation of Alabama, Inc. may have greater financial resources and develop products that enable them to compete more successfully than United Bancorporation of Alabama, Inc. Therefore, United Bancorporation of Alabama, Inc. can give no assurance that the results contemplated in the forward-looking statements will be realized. Investors are cautioned not to place undue reliance on the forward-looking statement. United Bancorporation of Alabama, Inc. does not undertake a duty to update any forward-looking statements made in this presentation.

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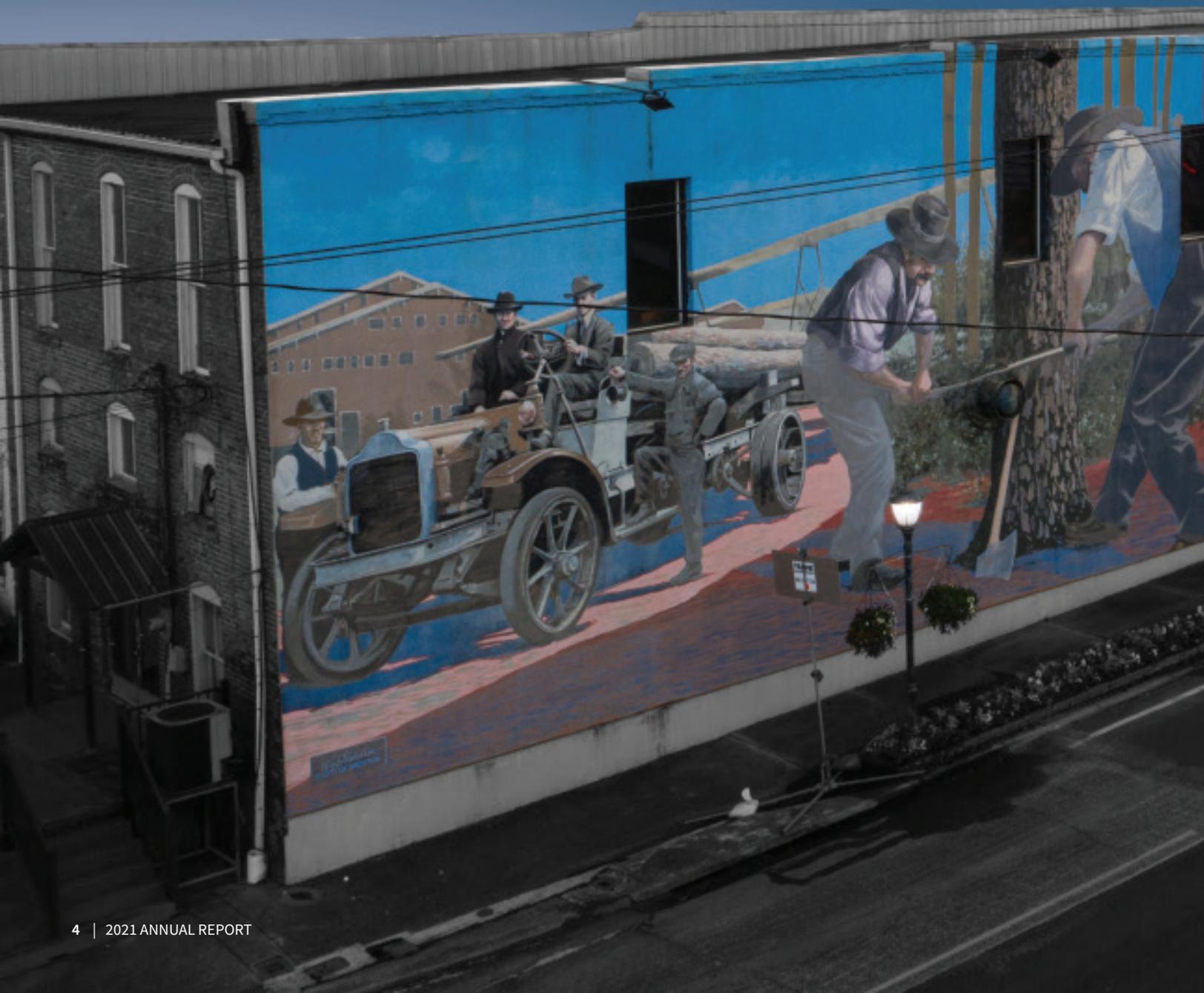
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2021

WAS A REMARKABLE YEAR FOR
UNITED BANCORPORATION.



Performance was outstanding across all lines of business, resulting in our best year of income ever. Our team worked tirelessly and seamlessly to guide our customers, our company and each other through a senior management transition and another year of the COVID-19 pandemic. We completed the acquisition of Town-Country in July and the integration went smoothly. The stock price remained steady and stable. UB Community Development had a busy year, closing several important projects and increasing activity in the affordable housing space.

This was all done during a global pandemic, relatively uncertain economic times and in the face of many other challenges. Yet, we did it. We generated impressive results and grew our company. We had a positive impact on the communities we serve and the lives of the people who live there. Which, to us, underscores the strength and viability of our mission of doing well while doing good. Of serving our customers, creating shareholder value and providing a rewarding workplace for our employees while enhancing and improving the lives of people throughout Alabama and beyond.



#14 American Banker Magazine 2021
Top 200 Community Bank

#84 American Banker Magazine 2021
Best Banks to Work For

Big Beautiful Baldwin's Best
Best Auto Loan Provider
United Bank 2nd Place

#12 Business Alabama Best Companies To Work For
Small/Medium Category / 15 – 249 U.S. Employees

CARING FOR OUR COMMUNITY

GLEANNING FOR GOOD.



Ten UB team members gleaned 64.5 pounds (183 servings) of blueberries that were donated to Escambia County Community Enabled in Brewton, Alabama and distributed the same day.



64.5

LBS = 183 SERVINGS
OF BLUEBERRIES

UB team members helped glean 1,300 ears of corn totaling 1,896 pounds (1,264 servings). 700 ears (1,050 pounds) were donated to Empowerment Tabernacle in Atmore, Alabama and 564 ears (846 pounds) were donated to Escambia County Community Enabled in Brewton, Alabama.



1,896

LBS = 1,264 SERVINGS
OF CORN

Five UB team members gleaned 350 pounds (1,400 servings) of greens that were donated to Empowerment Tabernacle in Atmore, Alabama.



350

LBS = 1,400 SERVINGS
OF GREENS

Five UB team members gleaned 650 pounds (3,900 servings) of satsumas that were donated to the Prodissee Pantry in Spanish Fort, Alabama.



650

LBS = 3,900 SERVINGS
OF SATSUMAS

UB COMMUNITY DEVELOPMENT 2021 PROJECT HIGHLIGHTS

As Alabama's premier financial partner for economic and community development, UB Community Development works to provide housing, build infrastructure, attract and grow businesses and bring jobs to the deserving people of our area. We call this doing well by doing good, and we believe it is some of the most important work we do.

UB Community Development had a very busy and successful 2021, completing numerous high-impact projects throughout our footprint and beyond.

NEW MARKETS TAX CREDIT

Coastal Growers | Atmore, Alabama

UB Community Development provided a \$10 million New Markets Tax Credit (NMT) allocation for Coastal Growers as part of an \$87 million, 475,000-square-foot peanut shelling plant project in Atmore, Alabama. The new facility will source peanuts within a 200-mile radius from farms in Mississippi, Alabama, Georgia and Florida. The project anticipates shelling 140,000 tons of peanuts annually, which will be sold domestically and internationally.

The project will create 130 permanent jobs with training and career advancement opportunities in addition to 95 construction jobs. In an area with 34.6% poverty rate and household median income of \$26,118, this job creation has a significant impact.





CAPITAL MAGNET FUND

South Oak Apartments | Foley, Alabama

Like many affordable housing developments built in the 1970s and 1980s across the U.S., the Arronville Housing project in Foley, Alabama, had fallen into disrepair over the years due to lack of funding and maintenance. To address the age, wear and tear, and mold issues at the project, the Foley Housing Authority partnered with Vizion Driven Communities to redevelop the property and provide new, clean, energy-efficient housing for residents. United Bank and UB Community Development provided construction financing for the project as well as a Capital Magnet Fund loan and sponsorship of three Affordable Housing Program grants from the Federal Home Loan Bank of Atlanta.

All existing structures will be demolished and be replaced with 94 brand new units. The new community, which will be called South Oak Apartments, will provide 1, 2, 3, and 4 bedroom units, along with a new office, maintenance shop, and community building. The project is expected to be completed in the summer of 2023.



COMMUNITY FACILITIES LENDING

Atmore Urgent Care | Atmore, Alabama

UB Community Development secured \$3.5 million in Community Facilities Lending funds for the construction of the Atmore Community Hospital (ACH) Urgent Care facility. The more than 6,000-square-foot facility will be constructed on a 10-acre site on Highway 21 at Rivercane Industrial Park.

The new Urgent Care Clinic will provide currently underserved Escambia County residents with expanded hours, convenient walk-in medical services, high-quality care and lower costs. It will offer modern equipment and services such as radiology imaging, wellness care, and on-site pharmacy and lab services to efficiently expedite patient care in one centralized location. The Urgent Care Clinic plans to expand its programs and work with local organizations and businesses to address community healthcare needs and facilitate healthcare initiatives.



ATMORE MICROLOAN FUND

House of Angels Homecare | Atmore, Alabama

The Atmore 0% Microloan Fund helps Atmore business owners stabilize or grow their business. Through philanthropic donations, the AMF program will offer microloans from \$2,000 up to \$20,000 with 0% interest to small businesses located in 36502 and 36504 zip codes.

Charmetta House opened House of Angels Homecare in 2019 after recognizing the need for elderly home care in the community. In a year, the company had 16 clients and 13 employees. However, the onset of the COVID-19 pandemic immediately threatened the stability of her business.

House said her \$20,000 microloan allowed her to keep the business open, retain most of her employees and purchase personal protective equipment her employees needed to protect themselves and their patients.



MIKE VINCENT

UNITED BANCORPORATION'S PRESIDENT AND CEO

Mike may be relatively new to his current position of President and Chief Executive Officer, but he's hardly new to United Bank and United Bancorporation. Mike joined United Bank in 2006 and has served as Executive Vice President and Chief Credit Officer since 2014.

Mike took a moment to share some of his personal background and thoughts on his business philosophy.



EMPHASIS ON CONTINUITY

Mike was named President and CEO in 2021. When he took the role, he emphasized - as he still does today - that even though there had been changes, there remains strong continuity in bank leadership.

“The bank's management team today is the same one that has been working together for many years,” he said. “Our strategies and goals remain the same, our application and execution will remain the same and we anticipate the same success going forward.”

LEADERSHIP PHILOSOPHY

“The best thing any leader of an organization can do is put the right people in the right positions and give them the tools they need to be successful and then get out of the way,” Mike said. “My job isn’t to micromanage, but provide high-level direction and support. Employees respond better in that type of environment. They just need to know that you support them.”

THE LAST BOOK HE READ

“When I assumed the role of CEO, someone sent me the book *The First 90 Days* by Michael Watkins,” Mike said. “It was the perfect book at that time as it provided insight into the critical transition period that many organizations go through. It’s been very helpful in my personal transition.”

EDUCATIONAL BACKGROUND

Mike is a graduate of Mississippi State University with a Bachelor of Business Administration. He earned his Juris Doctor from the University of Mississippi. He’s also a graduate of the Graduate School of Banking at Louisiana State University.

FAMILY LIFE

Mike has been married to his wife Angela, who is a second-grade teacher at Fairhope West Elementary, for 25 years. They have three daughters: Ashley, who is in her final year of nursing school at Auburn; Emily, who is in her third year and starting nursing school at Troy University; and Hannah, who is a freshman and microbiology major at Mississippi State University, which is Mike and Angela’s alma mater.

Mike and his family are members of Spanish Fort United Methodist Church and he serves on the Staff Parish Relations Committee.

MEETING THE CHALLENGES OF 2021



President and CEO Mike Vincent took some time to reflect on the corporation's changes, accomplishments and performance from last year.

ON THE CORPORATION'S PERFORMANCE.

We had record performance in 2021. One of the strengths United Bank has is its diversity of income streams. A lot of different lines of business contribute to the bottom line. We grew core bank loans by \$66 million for the year.

Our financial services division had one of the best years they've ever had. We knew through the pandemic people have been sitting on large amounts of cash, so our investment arm was able to work with a lot of people to help invest some of that money.

Really, every area of the bank did a great job contributing to the whole. Of course UBCD was a solid contributor as well.

The bank received an \$8 million Capital Magnet Fund award, the largest to date. It also received a \$1.8 million Rapid Response Program award to help with COVID recovery.

At the end of 2021, \$10 million in PPP loans remained. Like most banks, PPP fee income was a nice boost to income but that's coming to an end.

Over the year, our stock held its own. We still feel it's undervalued, but it remained consistent through the Town-Country transaction and management transition.

ON MANAGEMENT CHANGES.

When the transition was announced, the board and I took comfort from the fact that the management team has worked together for years. That has been our message from day one: Senior Management has been together and we work great together. They haven't missed a beat. Communication has been good. The operations of the bank haven't had the slightest hiccup. We knew the transition would be seamless and that was our message to customers and shareholders from the beginning.

ON THE TOWN-COUNTRY ACQUISITION.

It being our first acquisition there were a lot of details to work through, and the transaction went smoothly. The existing management team is still in place. It was important to us the face of the bank stayed the same for their customers. We wanted to minimize disruption and alleviate concerns that there would be changes in the fundamental way they operated. What initially attracted us to the bank to begin with was their commitment to the community, commitment to customer service and the nature of the lending they do. That's their signature and nothing's really changed and that was our intent. We didn't want to go in there and upset the apple cart. They've been a successful, profitable bank for years. We looked at it as an incremental subsidiary under the holding company to contribute revenue to the whole. It's worked out great.

It was definitely a learning experience. By industry standards, it wasn't a big transaction. But it was big to us, big to them and big to our employees and customers. So it was important we do it right.

ON THE PANDEMIC.

It's been a roller coaster. You think you're making progress and then you have to take steps backward. We've had to be flexible and learn on the fly. One thing we learned in 2020 is that you can never become complacent and think you've figured it out because there's always a new wrinkle around the corner. You just had to navigate those waters and make the best decision with the information you're given at the time.

We feel a great responsibility to our customers, and our employee's health and safety are paramount. We might not make the best decision every time, but there will never be a decision that doesn't have the health and well-being of our employees first and foremost.

You're not going to please everybody and there's no perfect answer, but we showed the toughness and flexibility of our group. At no point did we have total operations disruptions. We may have had to go to drive-through only at a branch here or there for a few days, but all in all, we kept on operating as usual.

ON BEING A COMMUNITY DEVELOPMENT "CDFI" FINANCIAL INSTITUTION.

I'm asked all the time about the long-term viability of these award programs. But if there's anything people in Washington on both sides of the aisle can agree on, it's that programs like these are getting money into communities that really do need it.

2021 FINANCIALS >



BALANCE SHEET

United reported total assets of \$1.12 billion at December 31, 2021 as compared to \$988.7 million at December 31, 2020, an increase of \$132.2 million or 13.4%.

Growth can be attributed to the acquisition of Town-Country National Bank (TCNB), whose assets totaled \$135.8 million at year end.

Cash and short term investments declined by \$142.7 million or 54.3% as those assets shifted into the investment portfolio for higher yields. The securities portfolio increased by \$131.1 million or 82.2%. TCNB's investment portfolio totaled \$46.2 million at year end.

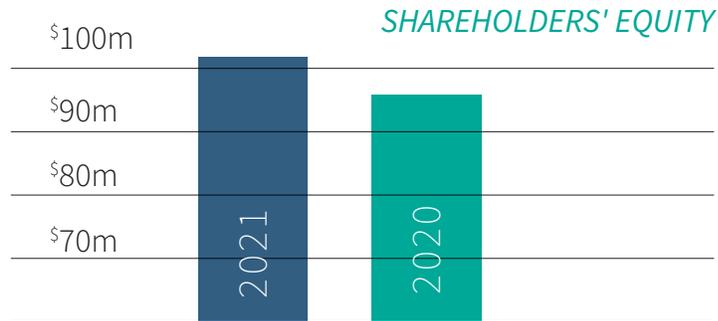
Total loans, held for investment at December 31, 2021 were \$657.1 million compared to \$526.2 million at December 31, 2020, representing an increase of \$130.9 million or 24.9%. Loan growth was fueled by municipal, commercial and real estate construction lending. TCNB loans held for investment income were \$64.9 million. At December 31, 2021, the allowance for loan losses was \$10.2 million. The allowance to loan coverage ratio for United Bank and TCNB was 1.64% and 0.69% respectively. The TCNB acquisition created good will of \$6.4 million and a core deposit intangible of \$643,040.

Only \$10.7 million of United Bank's original \$94.0 million in PPP loans has not been forgiven. TCNB did not participate in the PPP program.

At December 31, 2021, non accrual loans totaled \$11.4 million, an increase of \$8.2 million from the same period last year. Restructured loans totaled \$1.3 million. TCNB does not have any restructured loans.

CAPITAL

At December 31, 2021, shareholders' equity totaled \$109.7 million compared to \$96.8 million at December 31, 2020, an increase of \$12.8 million or 13.3%.



13.3%
INCREASE IN SHAREHOLDER'S EQUITY



24.9%
INCREASE IN TOTAL LOANS

CAPITAL RATIO

At December 31, 2021 tier one capital ratio, tier one leverage ratio and total equity to total assets were approximately 15.15%, 9.82% and 9.79%, respectively.

15.15%

TIER ONE
CAPITAL RATIO

9.82%

TIER ONE
LEVERAGE RATIO

9.79%

EQUITY TO
ASSETS

OPERATING RESULTS

Year-to-date 2021 net interest income before the provision was \$32.9 million compared to \$26.2 million for the same period in the prior year, an increase of \$6.6 million or 25.7%. Net PPP fees comprised \$3.0 million of the increase.

As a result, United's net interest margin for the twelve months ended December 31, 2021 was 3.49% as compared to 3.53% for the same period in 2020. Earning asset yields declined 13 bps year over year to 3.80%; and yields on interest bearing liabilities fell 18 bps to 60 bps. The cost of funds for the twelve months was 31 bps, 9 bps less than the prior year.

The provision for credit losses for the twelve months ended December 31, 2021 was \$1.8 million compared to \$2.7 million for 2020. This year's lower provision reflects more stable economic conditions as the pandemic continues to dissipate.

Non-interest income for the twelve months ended December 31, 2021 was \$22.6 million compared to \$16.2 million for the same period last year. In 2021, United received a Capital Magnet Fund ("CMF") award in April of \$8.0 million and Rapid Response Program award in August of \$1.8 million; and in May 2020 it received CMF award of \$6.0 million. 2021 year-to-date New Markets Tax Credit ("NMTC") fee income was \$1.8 million, an increase of \$920,000 over the same period last year. UBCD also earned \$1.5 million in consulting fees for its expertise and assistance in structuring NMTC transactions. Service charges and fee income increased \$1.0 million or 22.3% over last year with TCNB generating approximately \$460,000 of the increase.

Non-interest expense for the twelve months ended December 31, 2021 was \$29.8 million compared to \$24.3 million for the same period last year, an increase of \$5.4 million or 22.5%. Year-to-date expenses are higher because of \$1.5 million in accelerated expenses recognized during the third quarter.

United Bancorporation

of Alabama, Inc.

Performance Metrics	12/31/21	12/31/20	12/31/19	12/31/18
Total Assets	\$1,120,942,816	\$988,707,713	\$727,497,858	\$637,584,383
Net Income	\$ 18,533,046	\$12,170,237	\$9,779,691	\$9,988,224
Return on Average Equity	17.78%	13.40%	13.90%	24.38%
Earnings per Share	\$4.87	\$3.22	\$2.86	\$4.09
Weighted Average Shares Outstanding	3,807,620	3,778,933	3,419,566	2,440,195

United Bank

Performance Metrics	12/31/21	12/31/20	12/31/19	12/31/18
Tier One Leverage Ratio	9.34%	8.94%	9.60%	9.45%
Loans, held for investment	\$ 594,068,473	\$528,127,265	\$455,124,946	\$479,277,464
Total Deposits	\$ 867,411,141	\$875,767,177	\$627,898,251	\$591,811,692
Net Interest Margin	3.50%	3.64%	4.21%	3.94%
Cost of Funds	Q4 2021	Q4 2020	Q4 2019	Q4 2018
United Bank Cost of Funds	0.29%	0.37%	0.33%	0.39%
AL Banks Peers Cost of Funds	0.37%	0.48%	0.57%	0.66%



Performance Metrics	12/31/21	Net Income	\$ 701,228
Loans, held for investment	\$ 64,929,199	Net Interest Margin	4.18%
Total Deposits	\$117,556,660	Tier One Leverage*	8.71%
Total Assets	\$135,827,436	Equity to Total Assets	13.21%

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31 2021	December 31 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 (amortized cost of \$281,101,133 and \$141,515,294 respectively)	278,953,682	144,854,569
Securities held to maturity (fair value of \$12,105,153 and \$15,267,741 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
Net loans	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	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

December 31
2021

December 31
2020

Deposits

Non-interest bearing	\$424,238,173	\$486,405,309
Interest bearing	558,492,536	382,474,307
Total deposits	982,730,709	868,879,616
Other borrowings	13,197,809	9,910,458
Interest payable	156,966	219,460
Accrued expenses and other liabilities	4,837,436	2,538,539
Note payable to Trust	10,310,000	10,310,000
Total liabilities	\$1,011,232,920	891,858,073

STOCKHOLDERS' EQUITY

Preferred stock of \$.01 par value.

Authorized 250,000 shares; no shares issued

-

-

Class A common stock, \$0.01 par value.

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, \$0.01 par value.

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 42,280 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

CONSOLIDATED STATEMENTS OF INCOME

INTEREST INCOME

12 months ended, December 31

	2021	2020
Interest and fees on loans	\$ 32,174,282	\$26,106,940
Interest on investment securities		
Taxable	2,568,269	1,950,120
Nontaxable	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

12 months ended, December 31

NON-INTEREST INCOME

	2021	2020
Service charges and fees	\$5,834,765	\$4,772,309
CDFI Award Income	9,826,265	7,002,251
New Markets 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 non-interest income	\$22,683,177	\$16,232,507

NON-INTEREST EXPENSE

	2021	2020
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 non-interest 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

WHAT'S AHEAD: DOING WELL WHILE DOING EVEN MORE GOOD.

As we look ahead, we will purposefully seek to expand our horizons. We will look for more opportunities for growth, and more ways to meet our customers' needs and build shareholder value. We will consider new lines of business, expansion of existing lines and innovative ways to utilize our team's talent. Because while 2021 was an outstanding year in so many ways, we will never stop trying to do more. Because we understand that if you're not growing, you're falling behind.

But even more important, we will look for ways to extend our reach and expand our business so we can do more good. So we can help bring new businesses to our area and participate in more affordable housing projects. So we can support the generation of new jobs and fund upgrades to infrastructure and facilities in our towns and cities. So we can make our communities healthier and stronger for families and businesses.

At United Bancorporation, doing well while doing good is our mission, our passion and what makes us excited to come to work every day. And while there will always be changes and challenges, our commitment to being the engine that drives growth and prosperity will never waiver. It will always be at the heart of everything we do.

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of Alabama, Inc.

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