

United Bancorporation 
of Alabama, Inc.

2022 ANNUAL REPORT



A Word from President Mike Vincent	4
2022 Awards & Recognitions	8
United Bank Builds	9
Technology Enhancements	10
Church Street Incubator	11
UB Community Development	12
A Tribute to Hal Huggins	14
Emergency Capital Investment Program.....	15
2022 Financial Report.....	16

2022 WAS ANOTHER SUCCESSFUL YEAR FOR UNITED BANCORPORATION OF ALABAMA.

Despite a host of economic challenges — historic inflation, near-constant interest rate changes, market uncertainty and the still-lingering effects of the global pandemic — the company performed well. Earnings exceeded expectations and the stock price hit recent all-time highs. According to President and CEO, Michael "Mike" R. Vincent, "We were the exception, not the rule, and I credit that to the diversity of our business model!"

United Bank is quite simply a different kind of bank.

A WORD FROM PRESIDENT MIKE VINCENT

2022 was an exceptional year loaded with economic challenges and uncertainty, but we're very pleased with how we performed. Both United Bank and Town-Country United Bank did well, and so did our stock, but we were the exception rather than the rule for 2022.

The lessons we learned during the recessionary period of 2008 and 2009 helped guide our decision-making. Our more stringent underwriting has served us well over the past decade and it's led us to better analyze credit opportunities. We're not just asking can customers pay today, but can they pay in riskier, higher rate environments.

Mike Vincent
President and CEO





We are committed to building & maintaining relationships through good times and bad.”

Bank revenues tend to increase when rates are going up, but I worry about the impact on our customers. This can be very hard on them and that is a concern.

Banking is a relationship business. We are committed to building and maintaining relationships through good times and bad. Our focus on relationships coupled with responsive pricing and superior customer service has helped form our culture.

The Diversity of Our Business Model is Key

I also credit much of our success to the diversity of our business model. As a Community Development Financial Institution (CDFI), we have been effective at maximizing the opportunities that certification has provided over the past decade. Our use of affordable housing and New Markets Tax Credit tools drives our understanding of our markets and communities. This distinguishes us from other banks and drives our focus.

Not a week goes by that I don't get a call from investors or prospects asking how we're making this work. We became a CDFI 11 years ago and it has made such a difference in our bank. It is complex, which is why many other banks don't get involved. It's been rewarding for those who have embraced the unique opportunity that we have.



This doesn't just affect our bottom line. It forms our culture. Where other banks have hiring problems, our story is so meaningful. It makes a difference to our team, and it resonates with younger employees because we're different and we're making a difference. We've created thousands of jobs, helped build affordable housing, and we continue to do all these things. They know we're doing something different and better.

Putting Employees First.

Life is too short to be unhappy where you work. I want our employees to come to work, have fun, enjoy what they do and feel good about serving customers. They get more job satisfaction because of the difference they're making.

I'm passionate about creating a positive culture of engaged employees. By empowering our employees to make decisions and effect change, we can truly create a culture where all employees feel valued for their contributions.

It's true: inflation makes it hard for our employees, but our model has done well so we increased starting salaries for new employees and conducted off-cycle salary adjustments. We also enhanced our benefits by granting additional vacation days for long-term employees, establishing a sick leave donation program, and expanding our tuition reimbursement program to include a Master's degree.



Top: Jessica Chambless and Melissa Warford at our Summerdale Branch wore pink during Breast Cancer Awareness Month in October 2022. **Bottom:** Christopher Malden from our Semmes Branch volunteering at the Semmes Senior Center.



Top: UB Agriculture Department was excited to sponsor Alabama Forestry Association 'Learn to Burn' school at Little River State Park. **Bottom:** Congratulations to UB team member Stacey Alford. She was named Employee of the Year for 2022.

There are things you can do to show loyalty to employees. They have dug in and committed, so we made an extra effort to recognize and reward them for their commitment. Life is challenging, and we recognize the stress and uncertainty of recent years. I'm pleased to do what we can to show them how much we appreciate and care for our employees and their families.

Even with the challenges of 2022, we're positioned well for the immediate and long-term future. Our growth isn't a result of good luck or happenstance. Our business model is working, and we're able to reward our shareholders, our team members and the communities we serve, now and in the future.

Mike Vincent
President and CEO

2022 AWARDS & RECOGNITIONS



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



#1 America's Best Banks
Best Small Bank in Alabama



#83 American Banker Magazine 2022
Best Banks to Work For



#28 American Banker Magazine 2022
Top 200 Community Bank

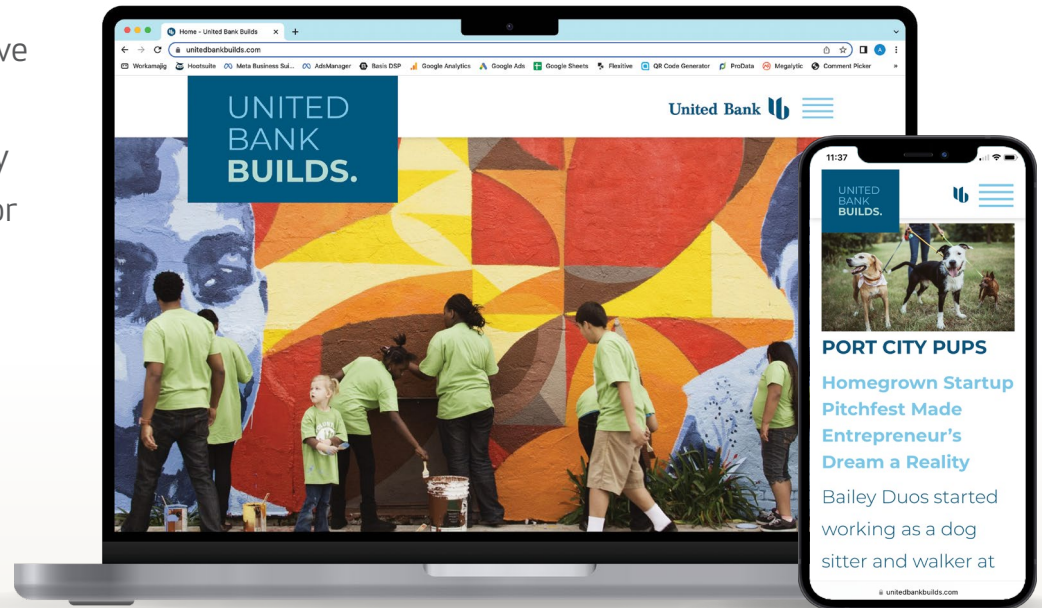
UNITED BANK BUILDS

United Bank is more than just a bank. United Bank builds. We build relationships, opportunities and our local economy. We build strength, hope and promise for a prosperous future for the families, individuals, businesses, schools and organizations in Southwest Alabama and Northwest Florida.

United Bank launched **UnitedBankBuilds.com** in 2022 so the community, staff, customers and investors can learn more about how United Bank builds and we can tell our story.

As a certified Community Development Financial Institution, we have the ability to leverage special government programs designed to attract investment and support growth in rural and economically depressed communities. Since receiving this designation, we've secured more than \$521.1 million in federal and private funding for businesses in our region. We've helped communities improve and rebuild their infrastructure and facilities. We've helped finance senior centers, medical facilities, parks, community centers and more than 3,009 units of affordable housing for families. We've helped customers build credit and become homeowners.

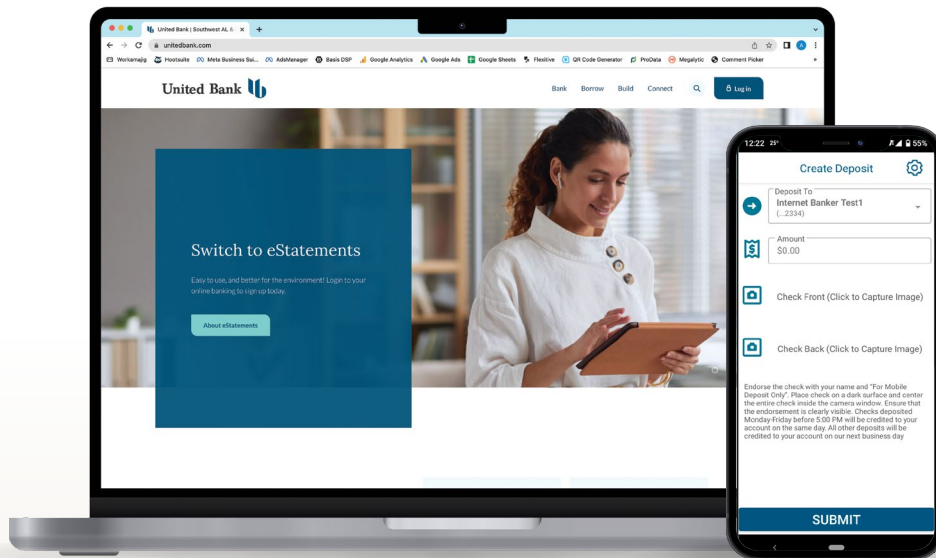
This isn't a typical business model: growth through good. But, again, United Bank isn't a typical bank. We do so much more. United Bank builds.



TECHNOLOGY ENHANCEMENTS

Technology is ever-changing. At United Bank, we have a strong commitment to keeping up with the latest technology because it helps us provide the best security and more convenience for our customers. But the quest to be on the cutting edge of technology is never-ending. So we're constantly vetting and putting money behind enhancing our digital products and services. And it's why we were so excited to launch a completely new website and mobile app in 2022.

President and CEO Mike Vincent said, "Our previous site was dated. The login on the new site is now more convenient and our apps have an updated design. Everything is also more consistent across the board, making it easier for customers to find and get what they need. In other words, we streamlined and simplified."



New Features & Updates

Quick Access: Navigate to key functions directly from the welcome screen.

Apply for Accounts and Loans: Apply for additional checking products and loans online.

Loan Transfers: Transfer money between accounts and pay loans from your app.

Mobile Deposits: Deposit your checks by way of remote deposit.

Pay Bills: Pay bills easily, securely and on time.

External Transfers: Make transfers to other financial institutions.

CHURCH STREET INCUBATOR

Church Street Incubator Celebrates First 'Graduate' Business: Creek Clean

Born and raised in Atmore, Tori Rodriguez founded Creek Clean along with Alfredo Alvizo in 2015. The company provides commercial cleaning services for business building complexes and construction sites, temporary staffing for housekeeping and other related services throughout Escambia and Baldwin County.

When she was looking for office space for Creek Clean, Rodriguez reached out to United Bank about the Church Street Incubator, which she had learned about through business connections.

"The Church Street Incubator has helped us tremendously," Rodriguez said. "We've been able to focus on what we want to do as a business instead of worrying about office overhead costs such as rent and internet service."

Creek Clean was honored as the first small business to "graduate" from Church Street Incubator and now is the proud owner of a fully renovated business located on Main Street in Atmore. The growth and business development of Creek Clean has facilitated the opportunity for additional contracts, bringing many quality jobs.



Creek Clean Founder Tori Rodriguez. Creek Clean anticipates expanding their locations into Daphne and Foley in South Baldwin County, AL.

What is Church Street Incubator?

Located in downtown Atmore, AL the Church Street Incubator is an open-format shared workspace that offers assistance to small business startups and local entrepreneurs, through a low-cost facility with high-speed internet, networking opportunities, and access to business support services, as they begin their journey to success.

This initiative provides an incentive to new businesses to locate in Atmore and bring more employment opportunities for the area.

UB COMMUNITY DEVELOPMENT

UB Community Development: Building a Better Community for Everyone

UB Community Development is a subsidiary of United Bancorporation of Alabama and a community development partner of United Bank. Our designation as a Community Development Entity (CDE), which we received in 2016, allows us to use New Markets Tax Credits, Community Facilities Lending, Community Housing Capital and Capital Magnet Funds to bring investment dollars that create good jobs, build affordable housing and improve infrastructure and public services to rural, low income and underserved communities in our region.

What has now become an integral part of our overall mission and strategy, our work as a CDE has enabled us to bring together federal financing programs, private investment, businesses large and small, municipalities, towns, nonprofit organizations, and developers — all with the goal of increasing opportunity, facilitating growth, and improving the quality of life for everyone who lives or works in the communities we serve.

\$521,132,800

FUNDS DISTRIBUTED

3,009

AFFORDABLE HOUSING
UNITS BUILT

2,935

JOBS CREATED

COMMUNITY HOUSING CAPITAL



Jackson Village Apartments Marion, Alabama

UB Community Development provided \$3,300,000 in construction financing for the renovation of Jackson Johnson Townhomes, a 42-unit affordable multifamily project in Marion, Alabama.

NEW MARKETS TAX CREDIT FUNDS



Enviva Pellets Plant Epes, Alabama

UB Community Development provided a \$42.5 million New Markets Tax Credit (NMTC) allocation to support the building of the world's largest wood pellet plant in Epes, Alabama.

COMMUNITY FACILITIES LENDING



Autaugaville Senior Center Autaugaville, Alabama

UB Community Development provided construction/permanent financing for a new \$419,000 senior center in Autaugaville through the Community Facilities Lending Program.

A TRIBUTE TO HAL HUGGINS August 6, 1952 - May 10, 2022

Joseph Harold “Hal” Huggins, 69, passed away at his home in Camden, Alabama, on May 10, 2022, following months of illness.

Hal attended Wilcox County Schools and Auburn University, where he graduated with a Bachelor of Science in Business Administration and was a member of Alpha Gamma Rho fraternity. He began his banking career in 1976 with City National Bank in Selma. He was instrumental in the organization and chartering of Town-Country National Bank in 1978 and served the bank for over forty years, first as Vice President and later President and CEO. Hal recently worked on TCNB's acquisition by United Bancorporation of Alabama, Inc. He was appointed to the board of directors and served as the president of the new Town-Country United Bank, a position he held until his death.

Hal was an advocate for his community, friends, customers, and church. He shared his Christian faith and joy for life through laughter, service, and care for others. Hal enjoyed the outdoors including raising cattle, baling hay, and growing timber. Hal loved all things Camden. He served various organizations through the years including the Camden Exchange Club, Wilcox County Industrial Development Authority, Physicians Care of Clarke County Board of Directors, J. Paul Jones Hospital Board, and Wilcox Academy Board of Directors. He was also known for his “bank tours.”

In Hal’s words, “I love you, my friends!”



EMERGENCY CAPITAL INVESTMENT PROGRAM

The right thing to do for the communities we serve.

The Emergency Capital Investment Program (ECIP) was created to encourage financial institutions serving low- and moderate-income communities to enhance their efforts to support small businesses and consumers in their communities. The funds provided to CDFIs and minority depository institutions (MDIs) by the U.S. Department of the Treasury were designated to be used primarily to serve low-income and underserved communities that were disproportionately impacted by the economic effects of the COVID-19 pandemic.

“The Emergency Capital Investment Program provides low-cost capital to make meaningful investments,” said United Bancorporation of Alabama’s President and CEO Mike Vincent. United was one of only seven Alabama institutions opting to participate in the program and received \$123.75 million. “The funds can be used for a variety of initiatives, like loans, branch expansion, and acquisitions,” Vincent said.

“This program injects significant capital into banks without many restrictions and is designed to be leveraged by CDFI banks to assist underserved communities,” Vincent continued. “It was the next step after the pandemic. Some banks were hesitant to participate and aren't comfortable working with federal programs like this. We chose to participate because it was the right thing to do for the communities we serve.”

\$123.75
Million
in ECIP capital

2022 FINANCIAL REPORT

BALANCE SHEET

United reported total assets of \$1.4 billion on December 31, 2022, as compared to \$1.1 billion on December 31, 2021, an increase of \$287.5 million or 25.6%. Under ECIP, United issued senior preferred stock totaling \$123.75 million, contributing to asset growth.

Year-over-year the securities portfolio grew \$46.5 million or 16.0% to \$337.3 million, which is comprised of growth in UB's portfolio of \$38.0 million, decrease of \$7.1 million in TCUB's portfolio and the addition of \$15.7 million in securities at the holding company. Securities account for 24.0% of total assets.

Total loans held for investment as of December 31, 2022, were \$722.5 million compared to \$657.1 million at December 31, 2021, representing an increase of \$65.4 million or 9.9%. This loan growth was fueled by municipal, commercial and multi-family real-estate lending.

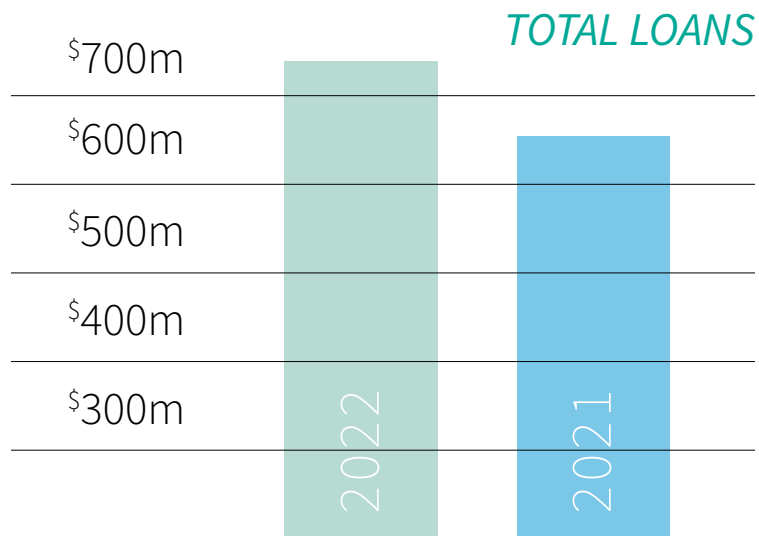
Other assets increased \$11.4 million over the same period last year, due in large part to deferred tax assets stemming from market-to-market adjustments to AFS debt securities. United also invested \$3.9 million in bank owned life insurance during the year.

Deposits totaled \$1.1 billion as of December 31, 2022, compared to \$982.7 million as of last year, an increase of \$186.3 million or 19.0%. Non-interest bearing and interest-bearing deposits account for \$158.3 million and \$27.9 million, respectively.

Other borrowings increased by \$5.7 million since December 31, 2021, for funds drawn under the USDA Community Facility Re-lending Program. United paid off its' \$10.3 million note payable to Trust.

LOANS

Total loans held for investment as of December 31, 2022, were \$722.5 million compared to \$657.1 million at December 31, 2021, representing an increase of \$65.4 million or 9.9%.



9.9% INCREASE IN
TOTAL LOANS

CAPITAL RATIO

As of December 31, 2022, United's tier one leverage ratio and equity to total assets were approximately 18.00% and 15.10%, respectively.



TIER ONE
LEVERAGE RATIO



EQUITY TO
TOTAL ASSETS

OPERATING RESULTS

Year-to-date 2022 net interest income before the provision was \$43.4 million compared to \$32.9 million a year ago, an increase of \$10.4 million or 31.7%. Year-to-date interest on loans increased \$4.7 million and securities income increased \$3.0 million over the same period last year. Similarly, income from interest-bearing deposits increased \$3.4 million.

United's net interest margin for the twelve months ended December 31, 2022, was 3.71% as compared to 3.49% for the same period in 2021, an increase of 22 bps. As a result of higher interest rates, year-over-year yield on loans increased 50 bps and offset lower fee income from fewer PPP fees. The yield on deposits with banks also increased 1.97%. Yields on interest bearing liabilities remained flat at 52 bps from the prior year. Year-to-date cost of funds of 33 bps is 2 bps higher than in 2021.

The provision for loan losses for the twelve months ended December 31, 2022, was \$2.0 million compared to \$1.8 for same period last year. As of December 31, 2022, the allowance for loan losses was \$12.1 million and the allowance to loans coverage ratio was 1.67% for consolidated entities. The coverage ratio was 1.70% and 1.43% for UB and TCUB, respectively.

OPERATING RESULTS

(CONTINUED)

Non-interest income for the twelve months ended December 31, 2022, was \$14.7 million compared to \$22.6 million for the same period last year. United received a Capital Magnet Fund (“CMF”) award for \$8 million in 2021, which was not received in 2022. Transaction fees for New Markets Tax Credits (“NMTC”) totaled \$2.6 million, an increase of \$793,333 from the previous year. During the year, United also received \$1.2 million at the unwind of its first NMTC loan pool transaction that was initiated in 2015.

In addition, year-over-year, service charges and fees increased \$613,687 or 10.5%. Mortgage loan and related fees for the twelve months ended December 31, 2022, declined \$768,962 or 64.4% from the same period last year as rising interest rates and home prices have slowed down home sales.

Non-interest expense for the twelve months ended December 31, 2022, was \$31.9 million compared to \$29.8 million for the same period last year, an increase of \$2.1 million or 7.3%. Salaries and benefits accounted for \$1.9 million of the increase.

Net income for the year was \$18.6 million compared to \$18.5 million in 2021.

Performance Metrics	12/31/22	12/31/2021	12/31/2020	12/31/2019
Loans, held for investment	\$722,515,490	\$657,155,493	\$526,285,086	\$455,124,946
Total Deposits	\$1,169,037,804	\$982,730,709	\$868,879,616	\$619,006,883
Total Assets	\$1,407,236,616	\$1,120,942,816	\$988,707,713	\$727,497,858
Net Income	\$18,684,708	\$18,533,046	\$12,170,237	\$9,779,691
Earnings per Share	\$5.11	\$4.87	\$3.22	\$2.86
Net Interest Margin	3.71%	3.49%	3.53%	4.09%
Cost of Funds	0.33%	0.31%	0.40%	0.53%
Return on Average Equity	12.25%	17.68%	13.36%	13.80%
Tier One Leverage Ratio	18.00%	9.82%	11.43%	12.70%
Equity to Asset Ratio	15.15%	9.79%	9.80%	11.39%



Performance Metrics	12/31/22	12/31/2021	12/31/2020	12/31/2019
Loans, held for investment	\$656,482,556	\$594,068,473	\$528,127,265	\$455,124,946
Total Deposits	\$1,071,693,386	\$867,411,140	\$875,767,178	\$627,715,551
Total Assets	\$1,189,939,820	\$976,558,028	\$972,073,697	\$711,607,970
Net Income	\$14,200,569	\$16,815,071	\$11,896,698	\$9,262,290
Tier One Leverage Ratio	10.77%	9.34%	8.94%	9.60%



Performance Metrics	12/31/22	12/31/2021
Loans, held for investment	\$67,875,113	\$64,929,199
Total Deposits	\$105,168,675	\$117,556,660
Total Assets	\$130,113,115	\$135,757,614
Net Income	\$1,857,688	\$701,228
Tier One Leverage	19.29%	13.21%

ASSETS

	December 31, 2022	December 31, 2021
Cash and due from banks	\$43,476,905	\$42,049,769
Interest bearing deposits in banks	225,621,463	71,854,343
Federal funds sold	11,584,193	6,278,135
Cash and short term investments	280,682,561	120,182,247
Investment in Subsidiaries	2,104,039	2,307,937
Securities available for sale, at fair value (amortized cost of \$375,665,760 and \$281,101,133 at December 31, 2022 and 2021, respectively)	328,610,919	278,953,682
Securities held to maturity, at amortized cost (fair value of \$8,583,391 and \$12,105,153 at December 31, 2022 and 2021, respectively)	8,684,231	11,787,052
Restricted equity securities, at cost	1,746,353	2,200,667
Loans held for sale	-	62,864
Loans held for investment	722,515,490	657,155,493
Less: Allowance for loan losses	12,104,774	10,203,372
Net loans	710,410,716	646,952,121
NMTC Sub-CDE QLICI Loans	3,500,000	3,500,000
Premises and equipment, net	16,947,680	16,616,105
Interest receivable	6,257,567	5,248,188
Bank owned life insurance	21,261,627	17,341,720
Other real estate owned, net	-	150,000
Core deposit intangible	575,936	643,040
Goodwill	6,516,169	6,474,056
Other assets	19,938,818	8,523,137
Total assets	\$1,407,236,616	\$1,120,942,816

LIABILITIES

	December 31, 2022	December 31, 2021
Deposits		
Non-interest bearing	\$582,600,867	\$424,238,173
Interest bearing	586,436,937	558,492,536
Total deposits	1,169,037,804	982,730,709
Interest Payable	176,652	156,966
Other borrowings	18,939,069	13,197,809
Note payable to trust	-	10,310,000
Accrued expenses and other liabilities	6,476,307	4,837,436
Total liabilities	\$1,194,629,832	\$1,011,232,920

STOCKHOLDERS' EQUITY

	December 31, 2022	December 31, 2021
Preferred stock of \$.01 par value. Authorized 250,000 shares; 123,750 and 0 shares issued, in 2022 and 2021, respectively	\$123,750,000	-
Class A common stock, \$0.01 par value. Authorized 5,000,000 shares; 3,819,684 and 3,804,277 issued; 3,603,602 and 3,765,965 shares outstanding in 2022 and 2021, respectively	38,197	38,043
Class B common stock, \$0.01 par value. Authorized 250,000 shares; no shares issued	-	-
Additional paid in capital	34,837,882	34,137,926
Retained earnings	96,560,279	79,327,583
Accumulated other comprehensive income (loss), net of tax	(35,291,130)	(1,610,587)
	219,895,228	111,892,965
Less 188,537 and 239 treasury shares, at cost, in 2022 and 2021, respectively	5,395,444	1,951
Less unvested restricted stock and Unallocated ESOP shares (83,615 and 100,505, respectively)	1,893,000	2,181,118
Total stockholders' equity	212,606,784	109,709,896
Total liabilities and stockholders' equity	\$1,407,236,616	\$1,120,942,816

CONSOLIDATED STATEMENTS OF INCOME

INTEREST INCOME

12 months ended, December 31

	2022	2021
Interest and fees on loans	\$36,947,532	\$32,174,282
Interest on investment securities		
Taxable	5,456,920	2,568,269
Nontaxable	1,002,281	827,574
Total investment income	6,459,201	3,395,843
Other interest income	3,671,385	193,745
Total interest income	\$47,078,118	\$35,763,870

INTEREST EXPENSE

Interest on deposits	\$3,050,512	\$2,393,843
Interest on other borrowings and note payable	635,530	442,938
Total interest expense	3,686,042	2,836,781
Net interest income	43,392,076	32,927,089
Provision for loan losses	2,051,016	1,862,023
Net interest income after provision for loan losses	\$41,341,060	\$31,065,066

NON-INTEREST INCOME

12 months ended, December 31

	2022	2021
Service charges and fees	\$6,448,452	\$5,834,765
CDFI Award Income	994,485	9,826,265
New Markets Tax Credit sub-allocation and placement fees	2,593,333	1,800,000
Consulting & Asset Management Fees	428,450	1,577,500
Investment securities gains, net	-	84,297
Mortgage loan and related fees	425,752	1,194,714
Other	3,772,959	2,365,636
Total non-interest income	\$14,663,431	\$22,683,177

NON-INTEREST EXPENSE	12 months ended, December 31	
	2022	2021
Salaries and benefits	\$17,201,457	\$15,349,537
Net occupancy expense	3,546,532	3,350,093
Other	11,232,900	11,106,377
Total non-interest expense	31,980,889	29,806,007
Income before income tax expense	24,023,602	23,942,236
Income tax expense	5,338,894	5,409,190
Net income	18,684,708	18,533,046
Net income available to common shareholders	\$18,684,708	\$18,533,046
Basic earnings per common share	\$5.11	\$4.87
Basic weighted-average shares outstanding	3,654,605	3,807,620
Diluted earnings per common share	\$5.11	\$4.87
Diluted weighted average shares outstanding	3,654,605	3,807,620



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