UNITED BANCORPORATION OF ALABAMA INC
Form 10-Q
May 15, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

Commission file number 2-78572

UNITED BANCORPORATION OF ALABAMA, INC.
(Exact name of registrant as specified in its charter)

Delaware	63-0833573
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

P.O. Drawer 8, Atmore, AL 36504
(Address of principal executive offices)

251-368-2525
(Registrant's telephone number, including area code:)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 1, 2002.

Class A Common Stock....... 1,098,352 Shares
Class B Common Stock....... -0- Shares

UNITED BANCORPORATION OF ALABAMA, INC.

FORM 10-Q

For the Quarter Ended March 31, 2002

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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY
CONSOLIDATED
BALANCE SHEETS

	March 31, 2002 Unaudited	December 31, 2001 Audited
Assets		
Cash and due from banks	$ 8,670,952	16,704,812
Federal funds sold	7,102,000	2,644,000
Cash and cash equivalents	15,772,952	19,348,812
Interest bearing deposits with other financial institutions	--	--
Securities available for sale (amortized cost of $45,587,781 and 41,167,492 respectively)	45,897,338	41,615,592
Securities held to maturity (market values of $0 and $0 respectively)	0	0
Loans	151,215,651	149,045,609
Less: Unearned income	0	0

Allowance for loan losses	1,999,622	1,993,245
Net loans	149,216,029	147,052,364
Premises and equipment, net	5,853,169	5,901,032
Interest receivable and other assets	5,368,986	6,037,732
Total assets	222,108,474	219,955,532
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$ 35,688,819	33,406,633
Interest bearing	145,753,160	147,102,536
Total deposits	181,441,979	180,509,169
Securities sold under agreements to repurchase	11,870,344	9,069,292
Other borrowed funds	5,817,689	6,235,327
Accrued expenses and other liabilities	799,010	2,295,251
Total liabilities	199,929,022	198,109,039
Stockholders' equity:		
Class A common stock. Authorized 5,000,000 shares of $.01 par value; 1,160,281 and 1,159,481 shares issued respectively	11,603	11,595
Class B common stock of $.01 par value Authorized 250,000 shares; -0- shares issued and outstanding	0	0
Preferred stock of $.01 par value. Authorized 250,000 shares; -0- shares issued and outstanding	0	0
Surplus	5,050,620	5,056,304
Accumulated other comprehensive income	185,734	268,863
Retained earnings	17,380,875	16,961,631
	22,628,832	22,298,393
Less 61,929 and 62,181 treasury shares, at cost respectively	449,380	451,900
Total stockholders' equity	22,179,452	21,846,493
Total liabilities and stockholders' equity	222,108,474	219,955,532

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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31	
	2002	2001

Interest income:		
Interest and fees on loans	2,929,058	3,331,818
Interest on investment securities available for sale:		
Taxable	347,004	634,440
Nontaxable	222,255	256,987
Interest on investment securities held to maturity:		
Taxable	0	0
Nontaxable	0	0
Total investment income	569,259	891,427
Other interest income	54,725	145,654
Total interest income	3,553,042	4,368,899
Interest expense:		
Interest on deposits	1,139,701	1,960,742
Interest on other borrowed funds	136,665	278,087
Total interest expense	1,276,366	2,238,829
Net interest income	2,276,676	2,130,070
Provision for loan losses	186,000	120,000
Net interest income after provision for loan losses	2,090,676	2,010,070
Noninterest income:		
Service charge on deposits	375,778	366,763
Commission on credit life	11,868	11,867
Investment securities gains and (losses), net	0	65,671
Other	138,598	130,081
Total noninterest income	526,244	574,382
Noninterest expense:		
Salaries and benefits	1,093,934	1,026,690
Net occupancy expense	409,915	308,902
Other	589,130	569,058
Total non-interest expense	2,092,979	1,904,650
Earnings before income tax expense	523,941	679,802
Income tax expense	127,617	179,997
Net earnings	396,324	499,805
Basic earnings per share	$ 0.36	$ 0.46
Diluted earnings per share	$ 0.36	$ 0.45
Basic weighted average shares outstanding	1,098,352	1,095,706
Diluted weighted average shares outstanding	1,110,902	1,105,551

Statement of Comprehensive Income

Net Income	396,324	499,805

Other Comprehensive Income, net of tax:		
Unrealized holding (losses) arising during the period	(83,127)	572,500
Cumulative effect of a change in accounting for investment securities (Note 2)	--	21,746
Less: Reclassification adjustment for gains (losses) included in net income	--	65,671
Comprehensive income	313,197	1,137,976

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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(UNAUDITED)

	2002	
Operating Activities		
Net Income	$ 396,324	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Provision for Loan Losses	186,000	
Depreciation on Premises and Equipment	215,965	
Amortization of Investment Securities held to maturity	--	
Amortization of Investment Securities Available for Sale	(810)	
(Gain) Loss on Sale of Investment Securities Available for Sale	--	
Writedown of Other Real Estate	17,135	
(Increase) Decrease in Interest Receivable and Other Assets	707,028	
Decrease in Accrued Expenses and Other Liabilities	(2,545,802)	
Net Cash Provided (Used) by Operating Activities	(1,024,160)	
Investing Activities		
Proceeds From Sales of Investment Securities Available for Sale	--	5
Proceeds From Maturities of Investment Securities held to maturity	--	
Proceeds From Maturities of Investment Securities Available for Sale	2,046,014	4
Purchases of Investment Securities held to maturity	--	
Purchases of Investment Securities Available for Sale	(6,465,493)	(3
Net Increase in Loans	(2,349,665)	(1
Purchases of Premises and Equipment	(168,102)	
Purchases of Other Real Estate	--	
Proceeds From Sales of Other Real Estate	--	
Net Cash Used by Investing Activities	(6,937,246)	4
Financing Activities		
Net Increase in Deposits,	932,810	(21
Net Increase in securities sold under agreement to repurchase	2,801,052	1
Proceeds from Sale of Treasury Stock	6,963	
Exercise of stock options	12,800	
Proceeds from sale of common stock	--	

Increase in Other Borrowed Funds	631,921	7
Net Cash (Used) Provided by Financing Activities	4,385,546	(11
Decrease in Cash and Cash Equivalents	(3,575,860)	(6
Cash and Cash Equivalents at Beginning of Period	19,348,812	20
Cash and Cash Equivalents at End of Period	15,772,952	13
Supplemental disclosures		
Cash paid during the year for:		
Interest	1,621,410	1
Income Taxes	--	
Transfer of Held to Maturity to Available for Sale	--	13

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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY
Notes to Consolidated Financial Statements
(UNAUDITED)

Note 1 - General

This report includes interim consolidated financial statements of United Bancorporation of Alabama, Inc. (the "Corporation" or "Company") and its wholly-owned subsidiary United Bank (the "Bank"). The interim consolidated financial statements in this report have not been audited. In the opinion of management, all adjustments necessary to present fairly the financial position and the results of operations for the interim periods have been made. All such adjustments are of a normal recurring nature. The results of operations are not necessarily indicative of the results of operations for the full year or any other interim periods. For further information, refer to the consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2001.

NOTE 2 - New Accounting Pronouncements

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after September 30, 2001. Statement 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported separate from goodwill. Statement 142 require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. The

Corporation adopted the provisions of Statement No. 141 in 2001 and Statement 142 effective January 1, 2002. The Corporation does not currently have any goodwill capitalized on its balance sheet. Accordingly, the Company currently does not expect the adoption of Statements 141 and 142 to have an impact on the consolidated financial statements of the Corporation.

In July 2001, the FASB issued Statement No. 143, Accounting for Asset Retirement Obligations. That standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When a liability is initially recorded, the entity must capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company is required to adopt the provisions of Statement 143 for fiscal years beginning after September 15, 2002. The Corporation is currently assessing whether Statement 143 will have an impact on its consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (Statement 144), which supersedes both FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (Statement 121) and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). Statement 144 retains the fundamental provisions in Statement 121 for recognizing and measuring impairment losses on

long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with Statement 121. For example, Statement 144 provides guidance on how a long-lived asset that is used, as part of a group, should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. Statement 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike Statement 121, an impairment assessment under Statement 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under Statement No. 142, Goodwill and Other Intangible Assets.

The Company adopted the provisions of Statement 142 in the quarter ending March 31, 2002. The adoption of Statement 144 for long-lived assets held for use did not have a material impact on the Company's financial statements because the impairment assessment under Statement 144 is largely unchanged from Statement 121. The provisions of the Statement for assets held for sale or other disposal did not have a material impact on the Company's financial statements.

NOTE 3 - Net Income per Share

Presented below is a summary of the components used to calculate diluted earnings per share for the three months ended March 31, 2002 and 2001:

	2002	2001
Diluted earnings per share:	.36	.45
Weighted average common shares outstanding	1,098,352	1,095,706
Effect of the assumed exercise of stock options based on the treasury stock method using average market price	12,550	12,924
Total weighted average common shares and potential common stock outstanding	1,110,902	1,105,551

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following financial review is presented to provide a comparative analysis of the results of operations of United Bancorporation of Alabama, Inc. (the "Corporation") and its subsidiary for the three months ended March 31, 2001 and 2002. This review should be read in conjunction with the consolidated financial statements included in this Form 10-Q.

Summary

Net income after taxes for the three months ended March 31, 2002 decreased $103,481, or 20.70%, as compared to the same period in 2001.

Net Interest Income

Total interest income decreased by $815,857, or 18.67%, during the first quarter of 2002 compared to the first quarter of 2001. Average interest-earning assets were $201,305,792 for the first quarter of 2002 as compared to $209,946,137 for the same period in 2001, a decrease of $8,640,345 or 4.12%, due to the loss of public funds that average approximately $20,000,000, which were on deposit during the first two months of 2001. The average rate earned in 2002 was 7.14% as compared to 8.42% in 2001, reflecting a continuing impact of the decrease in rates by the Federal Reserve Board during the latter part of 2001. The net interest margin increased to 4.57% for the first quarter of 2002, as compared to 4.09% for the same period in 2001. This increase is attributed to the fact that interest bearing liabilities repriced slower than the interest earning assets during the falling rate environment of 2001. The fact that interest rates have remained relatively low during 2002 allowed the slower repricing interest-bearing liabilities to continue to reprice at lower rates. The Bank expects this trend to reverse as if interest rates rise.

Total interest expense decreased by $962,463, or 42.99%, in 2002. The decrease in interest expense is attributed to the decrease in the average rate paid during the first quarter of 2002 as a result of the repricing discussed above. The average rate paid during the first quarter of 2002 was 3.11% as compared to 5.20% for the same period in 2001. This rate decrease is due to the lowering of

CD rates over the past year which were the result of a decrease in federal funds rates. Average interest bearing liabilities increased to $166,577,542 in 2002, from $163,944,640 in 2001, an increase of $2,632,902, or 1.61%.

Noninterest Income

Total noninterest income decreased to $526,244 for the first quarter of 2002, as compared to $574,382 for the same period of 2001, a decrease of $48,138, or 8.38%. This decrease was caused primarily by the sale of securities in 2001 of $65,671, compared to no such sales in 2002.

Noninterest Expense

Total noninterest expense increased $188,329 or 9.89% during the first quarter of 2002 partly due to increased salaries and benefits of $67,244. Most of the salaries and benefits increase can be attributed to a new branch opening, which also contributed to an increase in occupancy expense of $101,013. The Bank increase in occupancy expense is also attributable to the Bank's conversion in September of 2001 to house daily data processing expense of which is categorized as occupancy expense as opposed to other noninterest expense, which rose $20,072.

Income Taxes

Earnings before taxes for the first quarter of 2002 decreased $155,861, or 22.93%, compared to the same period of 2001. Income tax expense decreased to $127,617 in 2002 from $179,997 in 2001, a decrease of $52,380, or 29.10%. The effective tax rate decreased from 26.48% to 24.36%.

Financial Condition and Liquidity

Total assets on March 31, 2002 increased $2,152,942 or 0.98% as compared to December 31, 2001. Average total assets for the first quarter of 2002 were $219,628,247 as compared to $226,766,841 for the same period in 2001. The decrease is largely attributable to public fund deposit that were lost in 2001 that averaged approximately $20,000,000 for the first two months of 2001, which were not deposit in 2002.

Loans

Net loans increased by $2,163,665 or 1.47% at March 31, 2002, from December 31, 2001. Most of this growth in loans occurred in the Baldwin County region and in agricultural lending in all markets. The net loan to deposit ratio on March 31, 2002 was 82.24%, as compared to 81.47% on December 31, 2001.

Allowance and Provision for Loan Losses

The allowance for loan losses represents 1.32% of gross loans at March 31, 2002, as compared to 1.34% at year-end 2001. Loans on which the accrual of interest had been discontinued amounted to $2,411,766 at March 31, 2002, as compared to $2,184,316 at December 31, 2001. Part of this increase was due to one loan with a balance of $117,617,

which had been classified nonaccrual during the first quarter of 2002.

Subsequent to quarter end, but which is now current and is performing per in accordance with the loan agreement.

The provision for loan losses increased to $186,000 for the first three months of 2002, as compared to $120,000 for the same period in 2001. Net charged-off loans for the first quarter of 2002 were $179,623, as compared to $28,747 in for the first quarter of 2001. Most of the net charge-off is attributable to one loan to a borrower, which unexpectedly abandoned its business, resulting in a net charge off $139,169 after liquidation of collateral.

The allowance for loan losses is maintained at a level which, in management's opinion, is appropriate to provide for estimated losses in the portfolio at the balance sheet date. Factors considered in determining the adequacy of the allowance include historical loan loss experience, the amount of past due loans, loans classified from the most recent regulatory examinations and internal reviews, general economic conditions and the current portfolio mix. The amount charged to operating expenses is that amount necessary to maintain the allowance for loan losses at a level indicative of the associated risk, as determined by management, of the current portfolio.

The allowance for loan losses consists of two portions: the classified portion and the nonclassified portion. The classified portion is based on identified problem loans and is calculated based on an assessment of credit risk related to those loans. Specific loss estimate amounts are included in the allowance based on assigned classifications as follows: substandard (15%), doubtful (50%), and loss (100%).

The nonclassified portion of the allowance is for inherent losses that probably exist as of the evaluation date even though they may not have been identified by the more objective processes for the classified portion of the allowance. This is due to the risk of error, and inherent imprecision in the process,and the timing of when the Corporation receives accurate financial information from borrowers. This portion of the allowance is particularly subjective and requires judgments based upon qualitative factors which do not lend themselves to exact mathematical calculations. Some of the factors considered are changes in credit concentrations, loan mix, historical loss experience, and general economic environment in the Corporation's markets.

While the total allowance is described as consisting of a classified and a nonclassified portion, these terms are primarily used to describe a process. Both portions are available to support inherent losses in the loan portfolio. Management realizes that general economic trends greatly affect loan losses, and no assurances can be made that future charges to the allowance for loan losses will not be significant in relation to the amount provided during a particular period, or that future evaluations of the loan portfolio based on conditions then prevailing will not require sizable charges to income. Management does, however, consider the allowance for loan losses to be appropriate for the reported periods.

Non-performing Assets: The following table sets forth the Corporation's non-performing assets at March 31, 2002 and December 31, 2001. Under the Corporation's nonaccrual policy, a loan is placed on nonaccrual status when collectibility of principal and interest is in doubt or when principal and interest is 90 days or more past due.

	Description	March 2002	December 2001
		(Dollars in Thousands)	
(A)	Loans accounted for on a nonaccrual basis	$ 2,411	$ 2,184
(B)	Loans which are contractually past due ninety days or more as to interest or principal payments (excluding balances included in (A) above).	45	18
(C)	Loans, the term of which have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower.	0	0
(D)	Other non-performing assets	182	556

Investment Securities

Investment securities available for sale increased by $4,281,746 or 10.29% in the first quarter of 2002, from December 31, 2001.

Premises and Equipment

Premises and equipment decreased $47,863 during the first quarter of 2002 from December 31,2001.

Deposits

Total deposits increased $932,810, or 0.52%, at March 31, 2002, from December 31, 2001. Non-interest bearing deposits increased $2,282,186 or 6.8% at quarter end from the year-end total. Interest bearing deposits decreased $1,349,376, or 0.92%, at March 31, 2002, from December 31, 2001. The decrease in deposits was the result of the Bank not renewing certain certificates of deposit that matured. Average total deposits for the first quarter of 2002 were $180,796,674, as compared to $184,177,956 for the same period in

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2001, which can be traced primarily to the public funds that were on deposit for the first two months of 2001, but not in 2002.

Other Borrowed Funds

Other borrowed funds decreased $417,638 or 6.70% due to the Bank's payment of a FHLB advance, in 2002.

Capital Adequacy

The Corporation relies primarily on internally generated capital growth to maintain capital adequacy. Total stockholders' equity on March 31, 2002, was

$22,179,452, an increase of $332,959, or 1.52%, from $21,846,493 at year-end 2001.

Primary capital to total assets at March 31, 2002, was 9.99%, as compared to 9.93% at year-end 2001. Total capital and allowances for loan losses to total assets at March 31, 2002, were 10.89%, as compared to 10.84% at December 31, 2001. The Corporation had risk based capital of $23,993,000, or 14.63%, at March 31, 2002, as compared to $23,570,000, or 14.54% at year end 2001. The minimum total capital requirement is 8.00%. Based on management's projections, internally generated capital should be sufficient to satisfy capital requirements in the foreseeable future for existing operations, but the growth into new markets may require the Bank to access external funding sources.

Item 3. Market Risk Disclosures

Market risk is the risk of loss from adverse changes in market prices and rates. The Bank's market risk arises principally from interest rate risk inherent in its lending, deposit and borrowing activities. Management actively monitors and manages its interest rate risk exposure. Although the Bank manages other risk, such as credit quality and liquidity risk, in the normal course of business, management considers interest rate risk to be its most significant market risk. Interest rate risk could potentially have the largest material effect on the Bank's financial condition and results of operations. Other types of market risks, such as foreign currency exchange rate risk, generally do not arise in the Bank's normal course of business activities to any significant extent.

The Bank's profitability is affected by fluctuations in interest rates. Management's goal is to maintain a reasonable balance between exposure to interest rate fluctuations and earnings. A sudden and substantial increase in interest rates may adversely impact the Bank's earnings to the extent that the interest rates on interest-earning assets and interest-bearing liabilities do not change at the same speed, to the same extent or on the same basis.

The Bank's Asset Liability Management Committee ("ALCO") monitors and considers methods of managing the rate and sensitivity repricing characteristics of the balance sheet components consistent with maintaining acceptable levels of changes in the net portfolio value ("NPV") and net interest income. NPV represents the market values of portfolio equity and is

equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items over a range of assumed changes in market interest rates. A primary purpose of the Bank's ALCO is to manage interest rate risk to effectively invest the Bank's capital and to preserve the value created by its core business operations. As such, certain management monitoring processes are designed to minimize the impact of sudden and sustained changes in interest rates on NPV and net interest income.

The Bank's exposure to interest rate risk is reviewed on a quarterly basis by the Board of Directors and the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine the Bank's change in NPV in the event of hypothetical changes in interest rates. Further, interest rate sensitivity gap analysis is used to determine the repricing characteristics of the Bank's assets and liabilities. The ALCO is charged with the responsibility to maintain the level of sensitivity of the Bank's net interest margin within Board approved limits.

Interest rate sensitivity analysis is used to measure the Bank's interest rate risk by computing estimated changes in NPV of its cash flows from assets, liabilities, and off-balance sheet items in the event of a range of assumed changes in market interest rates. This analysis assesses the risk of loss in market risk sensitive instruments in the event of a sudden and sustained 100 - 300 basis points increase or decrease in the market interest rates. The Bank uses the HNC Asset Liability Model, which takes the current rate structure of the portfolio and shocks for each rate level and calculates the new market value equity at each level. The Bank's Board of Directors has adopted an interest rate risk policy, which establishes maximum allowable decreases in net interest margin in the event of a sudden and sustained increase or decrease in market interest rates. The following table presents the Bank's projected change in NPV for the various rate shock levels as of March 31, 2002. All market risk sensitive instruments presented in this table are held to maturity or available for sale. The Bank has no trading securities.

CHANGE IN INTEREST RATES (BASIS POINTS)	MARKET VALUE EQUITY	CHANGE IN MARKET VALUE EQUITY	CHANGE IN MARKET VALUE EQUITY (%)
300	45,271	3,784	9
200	44,420	2,933	7
100	43,156	1,669	4
0	41,487	0	0
(100)	39,585	(1,902)	(5)
(200)	37,115	(4,372)	(11)
(300)	34,073	(7,414)	(18)

The preceding table indicates that at March 31, 2002, in the event of a sudden and sustained increase in prevailing market interest rates, the Bank's NPV would be expected to increase, and that in the event of a sudden decrease in prevailing market interest rates, the Bank's NPV would be expected to decrease.

Computation of prospective effects of hypothetical interest rate changes included in these forward-looking statements are subject to certain risks, uncertainties, and assumptions including relative levels of market interest rates, loan prepayments and deposit decay rates, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the Bank could undertake in response to changes in interest rates.

Forward Looking Statements

When used or incorporated by reference herein, the words "anticipate", "estimate", "expect", "project", "target", "goal", and similar expressions, are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Such forward-looking statements are subject to certain risks, uncertainties, and assumptions including those set forth herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected or projected. These forward-looking statements speak only as of the date they are made. The Corporation expressly disclaims any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank's expectations with regard to any change in events, conditions or circumstances on which any such statement is based.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Stockholders of United Bancorporation of Alabama, Inc. was held on May 1, 2002.

(b) The following nominees were elected as Directors of the Corporation, to serve until the 2005 Annual Meeting of Stockholders, by the votes indicated:

Nominee	For	Against
Dale Ash	714,813	-0-
Robert R. Jones III	714,813	-0-

The Directors of the Corporation whose terms of office continued after the 2001 Annual Meeting are as follows:

Director	To Serve Until the Annual Meeting of Stockholders in the year
David Swift	2004
William C. Grissett	2004
L. Walter Crim	2003
H. Leon Esneul	2003
William J. Justice	2003

Item 6. Exhibits and Reports on Form 8-K.

(A) Exhibits. None

(B) During the quarter ended March 31, 2002, the Corporation did not file a Form 8-K Current Report with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED BANCORPORATION OF ALABAMA, INC.

Dated: May 14, 2002

/s/ Robert R. Jones III

Robert R. Jones, III
President & CEO