UNITED BANCORPORATION OF ALABAMA INC
Form 10-Q
May 15, 2001

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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, 2001

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)

334-368-2525
(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 4, 2001.

Class A Common Stock.... 1,096,100 Shares
Class B Common Stock.... -0- Shares

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UNITED BANCORPORATION OF ALABAMA, INC.

FORM 10-Q

For the Quarter Ended March 31, 2001

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ITEM 1.

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

	March 31, 2001	December 2000
Assets		
Cash and due from banks	$ 10,477,799	18,360,1
Federal funds sold	3,215,000	2,000,0
Cash and cash equivalents	13,692,799	20,360,1
Interest bearing deposits with other financial institutions	--	--
Securities available for sale (amortized cost of $54,245,419 and 44,310,451 respectively)	55,135,724	46,844,2

Securities held to maturity (market values of $0 and $14,011,852 respectively)	0	13,975,6
Loans	143,036,193	141,537,1
Less: Unearned income	1,248	2,5
Allowance for loan losses	2,030,560	1,939,3
Net loans	141,004,385	139,595,3
Premises and equipment, net	5,347,693	4,998,3
Interest receivable and other assets	4,693,265	5,712,9
Total assets	219,873,866	231,486,5
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$ 30,714,558	30,020,5
Interest bearing	139,257,633	161,569,1
Total deposits	169,972,191	191,589,6
Securities sold under agreements to repurchase	12,546,021	10,666,5
Other borrowed funds	13,868,467	5,889,1
Accrued expenses and other liabilities	2,316,358	3,236,7
Total liabilities	198,703,037	211,382,1
Stockholders' equity:		
Class A common stock. Authorized 5,000,000 shares of $.01 par value; 1,158,281 and 1,156,881 shares issued respectively	11,583	11,5
Class B common stock of $.01 par value Authorized 250,000 shares; -0- shares issued and outstanding.	0	
Preferred stock of $.01 par value. Authorized 250,000 shares; -0- shares issued and outstanding.	0	
Surplus	5,027,757	4,994,4
Accumulated other comprehensive income	533,441	4,8
Retained earnings	16,049,947	15,550,1
	21,622,728	20,561,0
Less 62,181 and 62,649 treasury shares, at cost respectively	451,899	456,5
Total stockholders' equity	21,170,829	20,104,4
Total liabilities and stockholders' equity	219,873,866	231,486,5

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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31	
	2001	2000
Interest income:		
Interest and fees on loans	3,331,818	3,026,569
Interest on investment securities available for sale:		
Taxable	634,440	578,538
Nontaxable	256,987	157,524
Interest on investment securities held to maturity:		
Taxable	0	81,867
Nontaxable	0	126,817
Total investment income	891,427	944,746
Other interest income	145,654	211,829
Total interest income	4,368,899	4,183,144
Interest expense:		
Interest on deposits	1,960,742	1,684,546
Interest on other borrowed funds	278,087	288,920
Total interest expense	2,238,829	1,973,466
Net interest income	2,130,070	2,209,678
Provision for loan losses	120,000	115,000
Net interest income after provision for loan losses	2,010,070	2,094,678
Noninterest income:		
Service charge on deposits	366,763	288,115
Commission on credit life	11,867	12,957
Investment securities gains and (losses), net	65,671	0
Other	130,081	84,037
Total noninterest income	574,382	385,109
Noninterest expense:		
Salaries and benefits	1,026,690	992,555
Net occupancy expense	308,902	301,011
Other	569,058	566,179
Total non-interest expense	1,904,650	1,859,745
Earnings before income tax expense	679,802	620,042
Income tax expense	179,997	163,037
Net earnings	499,805	457,005
Basic earnings per share	$ 0.46	$ 0.42
Diluted earnings per share	$ 0.45	$ 0.44
Basic weighted average shares outstanding	1,095,189	1,089,032

Diluted weighted average shares outstanding	1,105,913	1,105,551
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Statement of Comprehensive Income		
Net Income	499,805	457,005
Other Comprehensive Income, net of tax:		
Unrealized holding (losses) arising during the period	572,500	(28,181
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	--
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Comprehensive income	1,028,380	428,824
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UNITED BANCORPORATION OF ALABAMA, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	2001
Operating Activities	
Net Income	$ 499,805
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Provision for Loan Losses	120,000
Depreciation on Premises and Equipment	126,705
Amortization of Investment Securities held to maturity	--
Amortization of Investment Securities Available for Sale	(27,214)
(Gain) Loss on Sale of Investment Securities Available for Sale	(65,671)
(Increase) Decrease in Interest Receivable and Other Assets	667,271
Decrease in Accrued Expenses and Other Liabilities	(920,382)

Net Cash Provided (Used) by Operating Activities	400,514

Investing Activities	
Proceeds From Sales of Investment Securities Available for Sale	5,080,187
Proceeds From Maturities of Investment Securities held to maturity	--
Proceeds From Maturities of Investment Securities Available for Sale	4,878,001
Purchases of Investment Securities held to maturity	--
Purchases of Investment Securities Available for Sale	(3,300,209)
Net Increase in Loans	(1,529,084)
Purchases of Premises and Equipment	(476,057)
Purchases of Other Real Estate	--
Proceeds From Sales of Other Real Estate	--

Net Cash Used by Investing Activities	4,652,838
Financing Activities	
Net Increase in Deposits,	(21,617,488)
Net Increase in securities sold under agreement to repurchase	1,879,467
Proceeds from Sale of Treasury Stock	12,453
Exercise of stock options	--
Proceeds from sale of common stock	25,521
Increase in Other Borrowed Funds	7,979,320
Net Cash (Used) Provided by Financing Activities	(11,720,727)
Decrease in Cash and Cash Equivalents	(6,667,374)
Cash and Cash Equivalents at Beginning of Period	20,360,173
Cash and Cash Equivalents at End of Period	13,692,799
Supplemental disclosures	
Cash paid during the year for:	
Interest	1,806,543
Income Taxes	--
Transfer of Held to Maturity to Available for Sale	13,975,608

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") 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, 2000.

NOTE 2 - New Accounting Pronouncements

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. For United Bank, SFAS 133, as amended by SFAS No. 137 and SFAS 138, is effective January 1, 2001. Upon adoption of SFAS 133, management reclassified securities with a book value of $13,975,608 and a fair value of $14,011,852 from the held-to-maturity category to available-for-sale as permitted by the standard. This resulted in an increase to accumulated other comprehensive income of $21,746 net of corresponding deferred tax liability of $14,498. Otherwise, the adoption of SFAS 133 has had no impact on the financial statements of the Corporation.

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, 2001 and 2000:

	2001
Diluted earnings per share:	
Weighted average common shares Outstanding	1,095,18
Effect of the assumed exercise of stock	

Options based on the treasury stock method using average market price	10,72

Total weighted average common shares and potential common stock outstanding	1,105,91
	=========

NOTE 4 - Operating Segments

SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the disclosure made by public business enterprises to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company operates in only one segment - commercial banking.

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, 2000 and 2001. This review should be read in conjunction with the consolidated financial statements included in the Form 10-Q.

Summary

Net income after taxes for the three months ended March 31, 2001 increased $42,800, or 9.37%, as compared to the same period in 2000.

Net Interest Income

Total interest income increased by $185,755, or 4.44%, during the first quarter of 2001. Average interest-earning assets were $209,946,137 for the first quarter of 2001 as compared to $202,153,766 for the same period in 2000, an increase of $7,792,371 or 3.85%. The average rate earned in 2001 was 8.42% as compared to 8.32% in 2000, reflecting a continuing impact of the increase in rates by the Federal Reserve Board during the latter part of 2000. The net interest margin decreased to 4.09% for the first quarter of 2001, as compared to 4.40% for the same period in 2000. This decrease is attributed to the fact that liabilities have repriced faster than the earning assets. To the extent that interest earning assets reprice (e.g., variable rate loans) the Bank expects

yields on earning assets to fall as a result of the Federal Reserve Board lowering interest rates during the first part of 2001.

Total interest expense increased by $265,363, or 13.45%, in 2001. The increase in interest expense is attributed primarily to the increase in the average rate paid during the first quarter of 2001. The average rate paid during the first quarter of 2001 was 5.20% as compared to 4.68% for the same period in 2000. This rate increase is due to the increase of CD rates in the 3rd and 4th quarter of 2000, resulting from increase in federal fund rates and the increase competition in certain new markets. Average interest bearing liabilities decreased to $163,944,640 in 2001, from $169,478,373 in 2000, a decrease of $5,533,733, or 3.26%.

Noninterest Income

Total noninterest income increased to $574,382 for the first quarter of 2001, as compared to $385,109 for the same period of 2000, an increase of $189,273, or 49.15%. This increase was caused primarily by three factors: 1) service charges on deposits increased $78,648, or 27.30%, due to among other things an increase in pricing on overdraft fees and 2) gains realized from the sale of investment securities of $65,671.

Noninterest Expense

Total noninterest expense increased $44,905 or 2.41% during the first quarter of 2001 primarily due to increased salaries and benefits of $34,135. Most of the increase can be contributed to a new branch opening which also attributed to an increase in occupancy expense of $7,891. The Bank expects to see an increase in occupancy expense as it continues to add new branches in 2001.

Income Taxes

Earnings before taxes for the first quarter of 2001 increased $42,800, or 9.36%, compared to the same period of 2000. Income tax expense increased to $179,997 in 2001 from $163,037 in 2000, an increase of $16,960, or 10.40% which resulted primarily from the increase of approximately $60,000 in earning before income tax expense. The effective tax rate increased from 26.29% to 26.47%.

Financial Condition and Liquidity

Total assets on March 31, 2001 decreased $11,612,728 or 5.02% as compared to December 31, 2000. This decrease was primarily caused by the loss of a public fund deposit. The bank was not awarded a bid and approximately $23,500,000 was withdrawn from the bank in March. This decrease was offset by liquidating certain securities and borrowing funds

from the Federal Home Loan Bank. Management does not expect and has not incurred any liquidity problems as a result of the loss of the public fund account. Average total assets for the first quarter of 2001 were $226,766,841 as compared to $216,335,842 for the same period in 2000.

Loans

Net loans increased by $1,409,084 or 1.01% at March 31, 2001, from December 31, 2000. Most of this growth in loans occurred in the Baldwin County markets and was primarily in commercial real estate loans. The net loan to deposit ratio on March 31, 2001 was 82.98%, as compared to 72.27% on December 31, 2000. This increase was due to the decrease in deposits caused by the loss of public fund account discussed above.

Allowance and Provision for Loan Losses

The allowance for loan losses represents 1.42% of gross loans at March 31, 2001, as compared to 1.37% at year-end 2000. Loans on which the accrual of interest had been discontinued amounted to $730,881 at March 31, 2001, as compared to $386,213 at December 31, 2000. The majority of this increase is due to a business loan that was classified nonaccrual during the quarter.

The provision for loan losses increased to $120,000 for the first three months of 2001, as compared to $115,000 for the same period in 2000. Net charged-off loans for the first quarter of 2001 were $28,747, as compared to $48,477 net charge-offs in the first quarter of 2000.

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 which 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. 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, 2001 and December 31, 2000. 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 2001	December 2000
		(Dollars in Thousands)	
(A)	Loans accounted for on a nonaccrual basis	$730	$386
(B)	Loans which are contractually past due ninety days or more as to interest or principal payments (excluding balances included in (A) above).	11	14

(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.	59	69
(D)	Other non-performing assets	141	123

Investment Securities

The investment securities available for sale increased by $8,291,473 or 21.67% in the first quarter of 2001, from December 31, 2000. This increase is attributed to purchases and the adoption of SFAS 133 and the reclassification of all held to maturity securities to available for sale. Total securities decreased due to the sale of securities to help offset the loss of the public fund account discussed above.

Premises and Equipment

Premises and equipment increased $349,000 during the first quarter of 2001 due to the opening of a new branch and the purchasing of new computer equipment to begin the process of performing computer processing of daily operating activity in house.

Deposits

Total deposits decreased $21,617,488, or 11.82%, at March 31, 2001, from December 31, 2000. Non-interest bearing deposits increased $694,016 or 2.3% at quarter end from the year-end total. Interest bearing deposits decreased $22,311,504, or 13.81%, at March 31, 2001, from December 31, 2000. The decreases in deposits were the result of the loss of the public fund account mentioned above. Average total deposits for the first quarter of 2001 were $184,177,956, as compared to $177,040,079 for the same period in 2000.

Other Borrowed Funds

As mentioned above, the Bank borrowed an additional $8,000,000 in Federal Home Loan Bank advances at various terms with a weighted average interest rate of 5.09%.

Capital Adequacy

The Corporation relies primarily on internally generated capital growth to maintain capital adequacy. Total stockholders' equity on March 31, 2001, was $21,170,829, an increase of $1,066,356, or 5.30%, from $20,104,473 at year-end 2000.

Primary capital to total assets at March 31, 2001, was 9.63%, as compared to 8.68% at year-end 2000. Total capital and allowances for loan losses to total assets at March 31, 2001 were 10.55%, as compared to 9.52% at December 31, 2000. This increase in capital ratio is due to the shrinkage of the assets of the bank from the loss of the public fund account. The Corporation had risk based capital of $22,579,000, or 14.58%, at March 31, 2001, as compared to $21,992,000, or 14.62%, at year end 2000. 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 Sendero Model Level II, 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, 2001. 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	20,502	(6,229)	(23)
200	22,428	(4,303)	(16)
100	24,497	(2,234)	(8.0)
0	26,731	0	0
(100)	29,153	2,422	9
(200)	31,791	5,060	19
(300)	34,681	7,950	30

The preceding table indicates that at March 31, 2001, in the event of a sudden and sustained increase in prevailing market interest rates, the Bank's NPV would be expected to decrease, and that in the event of a sudden decrease in prevailing market interest rates, the Bank's NPV would be expected to increase. The recent growth in loans and loss of the public fund account have caused the Corporation to become more liability sensitive over the period of a year, but the net interest margin remains stable in all interest rate environments tested.

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 9, 2001.

(b) The following nominees were re-elected as Directors of the Corporation, to serve until the 2004 Annual Meeting of Stockholders, by the votes indicated:

Nominee	For	Against
David P. Swift	690,102	27,520
William C. Grissett	717,622	-0-

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

Director	To Serve Until the An Meeting of Stockholders i
Robert R. Jones III	2002
Bobby W. Sawyer	2002
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, 2001, the Corporation did not file a Form 8-K Current Report with the Securities and

Exchange Commission.

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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, 2001

/s/Robert R. Jones III

Robert R. Jones, III
President