

UNITED BANCORPORATION OF ALABAMA INC  
Form 10-Q  
May 15, 2012

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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

Commission file number 000-25917

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

Delaware 63-0833573  
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification Number)  
organization)

200 East Nashville Avenue, Atmore, Alabama 36502  
(Address of principal executive offices) (Zip Code)

(251) 446-6000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.  
Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as define in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of May 15, 2012.

Class A Common Stock.... 2,367,903 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, 2012

INDEX

PART I - FINANCIAL INFORMATION

PAGE

Item 1.	Financial Statements	
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Earnings</u>	4
	<u>Consolidated Statement of Comprehensive Income</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	38
Item 4.	<u>Controls and Procedures</u>	47
PART II - OTHER INFORMATION		
Item 1A.	<u>Risk Factors</u>	48
Item 6.	<u>Exhibits</u>	48

Index

PART I - FINANCIAL INFORMATION  
 UNITED BANCORPORATION OF ALABAMA, INC.  
 AND SUBSIDIARY  
 Consolidated Balance Sheets

## ITEM 1. Financial Statements

	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and due from banks	\$ 11,784,158	\$ 14,940,877
Interest bearing deposits in banks	54,176,907	41,333,309
Cash and cash equivalents	65,961,065	56,274,186
Securities available for sale (amortized cost of \$72,670,242 and \$70,951,957 respectively)	73,340,403	71,493,832
Securities held to maturity (fair values of \$20,809,424 and \$22,012,073 respectively)	19,804,308	21,048,977
Loans held for sale	137,755	169,400
Loans held for investment	269,811,732	263,093,320
Less: Allowance for loan losses	5,111,534	4,901,550
Net loans	264,700,198	258,191,770
Premises and equipment, net	15,785,171	15,853,633
Interest receivable	1,891,623	2,155,497
Other real estate owned	9,400,591	9,946,107
Other assets	13,408,848	11,745,770
<b>Total assets</b>	<b>464,429,962</b>	<b>446,879,172</b>
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	136,075,305	126,469,004
Interest bearing	277,673,880	268,984,934
Total deposits	413,749,185	395,453,938
Advances from Federal Home Loan Bank of Atlanta	1,058,050	1,115,500
Treasury, tax, and loan account	0	991,750
Interest payable	255,970	287,686
Note payable to Trust	10,310,000	10,310,000
Accrued expenses and other liabilities	1,451,473	1,451,275
Total liabilities	426,824,678	409,610,149
Stockholders' equity		
Preferred stock of \$.01 par value. Authorized 250,000 shares; 10,300 shares, net of discount	10,167,226	10,149,323

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Class A common stock, \$0.01 par value. Authorized 5,000,000 shares; issued and outstanding, 2,388,676 shares in 2012 and 2011, respectively	23,887	23,891
Class B common stock, \$0.01 par value. Authorized 250,000 shares; no shares issued or outstanding	-	-
Additional paid in capital	7,139,894	7,114,042
Accumulated other comprehensive loss net of tax	402,091	325,119
Retained earnings	20,038,645	19,984,862
	37,771,743	37,597,237
Less: 20,773 and 40,943 treasury shares, at cost, respectively	166,459	328,214
Total stockholders' equity	37,605,284	37,269,023
Total liabilities and stockholders' equity	\$464,429,962	\$446,879,172

See Notes to Consolidated Financial Statements

Index

UNITED BANCORPORATION OF ALABAMA, INC.  
AND SUBSIDIARY  
Consolidated Statements of Earnings  
(Unaudited)

	Three Months Ended March 31	
	2012	2011
Interest income:		
Interest and fees on loans	\$3,970,899	\$3,896,988
Interest on investment securities:		
Taxable	317,190	438,129
Nontaxable	57,712	84,646
Total investment income	374,902	522,775
Other interest income	32,615	45,692
Total interest income	4,378,416	4,465,455
Interest expense:		
Interest on deposits	634,181	866,407
Interest on other borrowed funds	74,642	69,054
Total interest expense	708,823	935,461
Net interest income	3,669,593	3,529,994
Provision for loan losses	200,000	300,000
Net interest income after provision for loan losses	3,469,593	3,229,994
Noninterest income:		
Service charge on deposits	743,274	796,682
Mortgage loan and related fees	95,390	63,570
Other	258,468	171,088
Total noninterest income	1,097,132	1,031,340
Noninterest expense:		
Salaries and benefits	2,177,428	2,207,870
Net occupancy expense	455,932	483,691
Other	1,516,138	1,278,364
Total noninterest expense	4,149,498	3,969,925
Earnings before income tax expense	417,227	291,409
Income tax expense	110,184	64,047
Net earnings	307,043	227,362
Preferred stock dividends	51,500	51,500
Accretion on preferred stock discount	17,903	16,904
Net earnings available to common shareholders	\$237,640	\$158,958
Basic earnings per share available to common shareholders	\$0.10	\$0.07

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Diluted earnings per share available to common shareholders	\$0.10	\$0.07
Basic weighted average shares outstanding	2,363,027	2,314,019
Diluted weighted average shares outstanding	2,363,027	2,314,019
Cash dividend per share	\$-	\$-

See Notes to Consolidated Financial Statements

Index

UNITED BANCORPORATION OF ALABAMA, INC.  
 AND SUBSIDIARY  
 Consolidated Statement of Comprehensive Income  
 (Unaudited)

	Three Months Ended March 31	
	2012	2011
Net income	\$ 307,043	\$ 227,362
Other comprehensive income (loss)		
Unrealized holding gains (losses) on securities available for sale arising during the period, net of tax (benefits) of \$51,315 and \$(78,203), respectively.	76,972	(117,305 )
Comprehensive income	\$ 384,015	\$ 110,057

See Notes to Consolidated Financial Statements



Index

UNITED BANCORPORATION OF ALABAMA, INC.  
AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
(Unaudited)

	Three Months Ended	
	March 31	
	2012	2011
Cash flows from operating activities		
Net earnings	\$307,043	\$227,362
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Provision for loan losses	200,000	300,000
Depreciation of premises and equipment	207,136	235,719
Net amortization of premium on investment securities available for sale	151,367	110,801
Net amortization of premium on investment securities held to maturity	41,213	42,941
Gain on sale of other real estate	(46,095 )	(31,594 )
Originations of loans held for sale	(3,026,363 )	-
Proceeds from sales of loans held for sale	3,058,008	-
Stock-based compensation	6,080	6,223
Decrease in deferred income taxes	144,451	87,018
Provision for other real estate losses	230,000	41,095
Decrease in interest receivable	263,874	188,291
(Increase) decrease in other assets	(1,858,845 )	1,216,563
Decrease in interest payable	(31,716 )	(27,935 )
Increase in accrued expenses and other liabilities	198	3,055
Net cash provided by (used in) by operating activities	(353,649 )	2,399,539
Cash flows from investing activities		
Proceeds from maturities, calls, and principal repayments of investment securities available for sale	4,555,000	2,108,335
Proceeds from maturities, calls, and principal repayments of investment securities held to maturity	1,203,456	2,325,000
Purchases of investment securities available for sale	(6,424,650 )	(7,145,308 )
Net increase in loans	(6,742,887 )	(2,183,599 )
Purchases of premises and equipment, net	(138,674 )	(30,022 )
Proceeds from sale of other real estate	396,070	380,122
Net cash used in investing activities	(7,151,685 )	(4,545,472 )
Cash flows from financing activities		
Net increase (decrease) in deposits	18,295,247	(18,788,763)
Cash dividends - preferred stock	(51,500 )	(51,500 )
Cash dividends - common stock	(2,334 )	(3,233 )
Repayments of advances from FHLB Atlanta	(57,450 )	(57,450 )
Decrease in other borrowed funds	(991,750 )	(81,004 )
Net cash provided by (used in) financing activities	17,192,213	(18,981,950)
Net increase (decrease) in cash and cash equivalents	9,686,879	(21,127,883)

Cash and cash equivalents, beginning of period	56,274,186	80,966,109
Cash and cash equivalents, end of period	\$65,961,065	\$59,838,226
Supplemental disclosures		
Cash paid during the period for:		
Interest	\$740,539	\$963,396
Income taxes	41,144	46,642
Noncash transactions		
Transfer of loans to other real estate through foreclosure	\$34,459	\$106,128

See Notes to Consolidated Financial Statements

Index

UNITED BANCORPORATION OF ALABAMA, INC.  
AND SUBSIDIARY

Notes to Condensed Consolidated Financial Statements

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 Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

Index

NOTE 2 – Net Earnings per Share

Basic net earnings per share were computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the three month periods ended March 31, 2012 and 2011. Common stock outstanding consists of issued shares less treasury stock. Diluted net earnings per share for the three month periods ended March 31, 2012 and 2011 were computed by dividing net earnings by the weighted average number of shares of common stock and the dilutive effects of the shares subject to options and restricted stock grants awarded under the Corporation's equity incentive plans, based on the treasury stock method using an average fair market value of the stock during the respective periods. There was no dilutive effect for the three months ended March 31, 2012 and 2011 because the exercise price of the stock awards, described in Note 7 below, was greater than the fair value of the stock as of March 31, 2012.

Index

## NOTE 3 – Investment Securities

The amortized cost and fair value of investment securities available for sale at March 31, 2012 and December 31, 2011 were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2012				
U.S. Treasury securities	\$2,053,139	\$1,710	\$(4,224 )	\$2,050,625
U.S. Government sponsored agencies	63,629,652	495,474	(70,652 )	64,054,474
State and political subdivisions	6,977,298	276,792	(27,951 )	7,226,139
Equity securities	10,153	-	(988 )	9,165
	\$72,670,242	\$773,976	\$(103,815 )	\$73,340,403
December 31, 2011				
U.S. Treasury securities	\$4,003,429	\$10,009	\$-	\$4,013,438
U.S. Government sponsored agencies	59,403,763	413,643	(76,732 )	59,740,674
State and political subdivisions	7,534,612	245,003	(45,940 )	7,733,675
Equity securities	10,153	-	(4,108 )	6,045
	\$70,951,957	\$668,655	\$(126,780 )	\$71,493,832

Index

The amortized cost and fair value of investment securities held to maturity at March 31, 2012 and December 31, 2011 were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2012				
U.S. Government sponsored agencies	\$ 13,738,523	\$ 672,996	\$-	\$ 14,411,519
Mortgage-backed securities	6,065,785	332,120	-	6,397,905
	\$ 19,804,308	\$ 1,005,116	\$-	\$ 20,809,424
December 31, 2011				
U.S. Government sponsored agencies	\$ 14,777,587	\$ 679,208	\$-	\$ 15,456,795
Mortgage-backed securities	6,271,390	283,888	-	6,555,278
	\$ 21,048,977	\$ 963,096	\$-	\$ 22,012,073

Index

Those investment securities classified as available for sale which have an unrealized loss position at March 31, 2012 and December 31, 2011 are detailed below:

March 31, 2012

Description of Securities	Less than 12 months		12 months or more		Total	Unrealized losses
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	
U.S. Treasury securities	\$1,047,188	\$(4,224 )	\$-	\$-	\$1,047,188	\$(4,224 )
U.S. government sponsored agencies	15,130,846	(70,652 )	-	-	15,130,846	(70,652 )
State and political subdivisions	-	-	302,049	(27,951 )	302,049	(27,951 )
Equity securities	-	-	9,165	(988 )	9,165	(988 )
Total temporarily impaired securities	\$16,178,034	\$(74,876 )	\$311,214	\$		