



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

United Bancorporation of Alabama, Inc.

Person to be contacted regarding this report:	Allen Jones, CFO
UST Sequence Number:	272
CPP Funds Received:	10,300,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 23, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1083895
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	00058
City:	Atmore
State:	Alabama

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The Bank serves rural S. AL and NW FL. Agriculture is a primary industry and funding is cyclical. The presence of the CPP funding made it possible to support the farmers while dealing with other loan issues. Loans increased by \$7.5 million, a net \$3 million after subtracting those charged off.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Loans to support seasonal agricultural production increased at the peak by approximately \$8 million in September. Loans for real estate (non farm/non residential) increased by \$9 million over the same period of time.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Bank increased its reserves for losses on loans by a net \$3.8 million after charging off \$4.5 million.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Loans charged off during 2009 totaled \$4.5 million versus \$2.8 million in 2008. This was caused by the economic downturn. Particularly hard hit was the real estate market in S. AL and NW FL, the market area served by the Bank.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Total assets declined by \$93 million during 2009. This was planned and the decline in assets combined with the increased capital and loan losses allowed the Bank to be working through issues in an orderly manner while maintaining needed capital levels.

What actions were you able to avoid because of the capital infusion of CPP funds?

The Bank has been able to continue to service its market area and offer loans.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The Bank has several large institutional clients as depositors who have seasonal and temporary needs to hold large deposits in excess of their normal operating needs. In December of 2008 and throughout 2009, these customers housed, on a temporary basis, significant excess funds. The presence of the funding made it possible to support the assets of the Bank with appropriate capital levels. Without the CPP funding, it is a question as to whether the Bank would have been able to commit to accommodate the customer.

The Bank has continued to seek lending opportunities to qualified borrowers. This would not have been possible without the funding. One example is a program undertaken in support of local retailers who had lost access to financing for their customers, and therefore the ability to sell items such as lawn mowers, appliances, and automobiles. The Bank designed a program to assist these retailers and make financing available to qualified customers on a timely basis. The program was for consumers and the individual loans are small, but the impact on the psychology of the community was positive.

In the smaller communities where the Bank operates, the municipal governments have occasional needs for financing. In two instances, the Bank was able to make funds available to a school system and a city government.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The presence of the funding has allowed the Bank to charge off problem assets and work with problem loans while maintaining adeq