U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 005-55641

UNITED FINANCIAL HOLDINGS, INC.
(Name of Small Business Issuer in its Charter)

Florida (State or Other Jurisdiction of Incorporation or Organization)	**59-2156002** (IRS Employer Identification No.)
333 Third Avenue North, Suite 200 **St. Petersburg, Florida** (Address of Principal Executive Offices)	**33701-3346** (Zip Code)

(727) 898-2265
(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock, par value $.01 per share

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB. [ ]

The issuer's gross revenues for its most recent fiscal year was $28,176,193.

The aggregate market value of the Common Stock of the issuer held by non-affiliates as of February 22, 2002, was approximately $20,885,755, as computed by reference to the closing price of the Common Stock as quoted on the Nasdaq National Market System on such date. As of February 22, 2002, there were 4,440,421 issued and outstanding shares of Common Stock of the issuer.

Transitional Small Business Disclosure Format (check one): Yes ___ No _X_

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of the issuer for the 2002 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission no later than 120 days after the end of the issuer's 2001 fiscal year are incorporated by reference into Part III of this Form 10-KSB.

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UNITED FINANCIAL HOLDINGS, INC.

FORM 10-KSB

Fiscal Year Ended December 31, 2001

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

United Financial Holdings, Inc. (the "Company") is a registered bank holding company formed in 1982, the principal subsidiary of which is United Bank and Trust Company (the "Bank"), a Florida-chartered commercial bank headquartered in St. Petersburg, Florida. The Bank was founded in 1979 and is a community-oriented, full service commercial bank with six branch offices serving Pinellas County, Florida. The Bank provides a broad range of traditional banking services with emphasis on commercial loans and loans under the lending program of the U.S. Small Business Administration (the "SBA"). The Company's operations include three business segments: commercial banking, trust services, and investment advisory services, which constituted 92.9%, 2.6% and 4.5% respectively, of the Company's 2001 pre-tax income before corporate overhead. At December 31, 2001, the Company had consolidated total assets of $344.2 million, net loans of $242.4 million, deposits of $282.6 million and stockholders' equity of $25.9 million.

The Bank is a community-oriented full service, commercial bank currently operating from six branch offices serving Pinellas County, Florida. It offers consumer and commercial loans, ATM cards, credit cards, and a full range of deposit account types, including demand deposits, NOW accounts, money market accounts, savings accounts, and certificates of deposit. Additionally, the Bank offers Internet banking and a bill payment service. The primary focus of the Bank's commercial lending activities is on loans to small and medium sized businesses and professional firms. The Bank's commercial loans include loans secured by real estate or other assets, loans made under the SBA's lending program and secured and unsecured loans to small businesses. The Company believes the Bank is the largest originator, among similarly sized financial institutions, of SBA loans in the State of Florida (measured by dollar volume of loans originated).

The Company's other operating subsidiaries are EPW Investment Management, Inc., formerly Eickhoff, Pieper, & Willoughby, Inc., an investment advisory firm registered under the Investment Advisers Act of 1940 ("EPW") headquartered in Tampa, Florida, with an office in Jacksonville, Florida; United Trust Company, a Florida-chartered trust company ("United Trust") registered with the Florida Department of Banking and Finance and located in St. Petersburg, Florida; and United Bank of the Gulf Coast ("UBGC", formerly known as First Security Bank), a Florida-chartered commercial bank with one office located in Sarasota, Florida. UBGC was started by a group of local investors in February 1999 and acquired by the Company on April 1, 2001. EPW offers investment management services to corporate, municipal and high net worth individual clients throughout the State of Florida. As of December 31, 2001, EPW had $318.5 million in assets under management. United Trust is a wholesale provider of data processing, administrative and accounting support and asset custody services to professionals holding assets in trust (primarily legal and accounting firms). United Trust also provides retail trust and investment management services to individual and corporate clients. As of December 31, 2001, United Trust had $315.9 million in assets under trust.

The Company's other non-operating subsidiaries are UFH Capital Trust I ("UFHCT"), a Delaware statutory business trust formed in December 1998 for the exclusive purpose of issuing $6.75 million of Trust Preferred securities; UFH Statutory Trust II ("UFHSTII"), a Connecticut statutory trust created in November 2001 for the sole purpose of issuing $10 million of floating rate pooled trust preferred securities; and UFMB Corp. ("UFMB"), a Florida corporation wholly owned by the Company for the purposes of holding certain notes, investments and other assets totaling $2.9 million at December 31, 2001.

Background

In 1986 a group of investors, headed by Neil W. Savage, the Company's President and Chief Executive Officer and the Bank's Chairman and Chief Executive Officer, acquired control of the Company, then known as Pinellas Bancshares Corporation. The Company's name was changed to its present name in 1995 and the Bank's name was changed from United Bank of Pinellas to its present name that same year.

In September 1995 the Company purchased FSC, a trust data processing and accounting service for professionals, and merged this entity into the Company. In January 1996, the Company acquired EPW. The Company formed United Trust during the fourth quarter of 1997 and effective December 31, 1997 transferred all of the Bank's trust assets to United Trust.

Business Strategy

The principal elements of the Company's business strategy are to increase its market share in its existing business segments and to seek out niche business segments in which the Company can compete effectively in order to create new sources of non-interest income and increase traditional interest income from new lending opportunities. The Company has sought to implement its strategy of increasing its market share in its existing business segments by expanding the Bank's market coverage through *de novo* branching, increasing the Bank's emphasis on originating loans secured by real estate and other assets for its own portfolio, pursuing small business secured and unsecured lending for its own portfolio, and continuing to originate a high volume of SBA loans, both for its own portfolio and for sale in the secondary market. A primary element of the Company's business strategy as a community banking organization is to seek to provide customers with a level of personalized service exceeding that provided by its competitors, including the local banking operations of large regional and national banking companies.

The Company has sought to add new sources of non-interest income through the creation of United Trust, which receives fees for the wholesale trust services it offers to legal and accounting firms and the retail trust and investment management services it offers to other clients, and the acquisition of EPW, which generates fee income from the investment management services it offers to corporate, municipal and high net worth individual clients. By expanding the range of trust and investment management services it offers, the Company seeks to differentiate itself from other similarly sized community banking organizations operating in the Company's market. While pursuing these strategies, management remains committed to improving asset quality, managing interest rate risk, enhancing profitability and maintaining its status as a well-capitalized institution for regulatory capital purposes.

As a result of this business strategy, the Company's total assets have increased from approximately $122.7 million at December 31, 1996 to $344.2 million at December 31, 2001. The Company's consolidated net revenues increased from $10.7 million for the year ended December 31, 1996 to $17.7 million for the year ended December 31, 2001. During this period of asset and revenue growth, the Company's net income increased from $1.5 million for the year ended December 31, 1996 to $3.2 million for the year ended December 31, 2001.

The Company intends to continue selectively adding branches in its market area, and to that end completed its purchase and opening of a new branch in November 2000. The Company's current goal is to open one new branch each year. Accordingly, in the future, the Company may consider strategic expansion though the acquisition of other banks or bank branches or by *de novo* branching. Similar to the Company's previous efforts that resulted in it establishing United Trust and acquiring EPW, the Company may consider from time to time expansion opportunities into other business lines that might add to the Company's non-interest income and the acquisition or development of other businesses that the Company considers complementary to its existing business. For example, in March 1999, the Company acquired a 5% equity interest in United Insurance Holding, LC, a property and casualty insurance company, and in 2000 it increased its minority investment in that company to approximately 16%. In addition, the Company completed the acquisition of UBGC in April 2001. The acquisition of this commercial bank allows the Company to provide banking and other services outside of Pinellas County. From time to time, the Company may commence similar exploratory efforts to evaluate the possibility of acquiring or establishing similar or additional lines of business.

Market Area

Currently, the Bank has six offices located in Pinellas County, Florida, which is the Bank's primary market area. The population of Pinellas County was reported to be 921,000 at the 2000 census. This compares with a population of 852,000 at the 1990 census and 729,000 at the 1980 census. Pinellas County has been a retirement and tourism destination for many years, and over 22% of its population is over 65 years of age, compared with a state-wide average of 18%.

According to information published by the Florida Bankers Association, as of September 30, 2001, Pinellas County was the fourth largest county in Florida in terms of bank and thrift deposits, with total deposits of $13.9 billion, or 6.29% of the state's total deposits. There is a significant seasonal population increase during the months of November to April of each year; seasonal residents are not included in the cited population statistics. The Company believes that while the population of Pinellas County will continue to grow, the rate of growth is likely to be lower than the population growth rate of the State of Florida as a whole, and is likely to slow due to the nature of the market area. As a peninsula surrounded on the south, east and west by water, Pinellas County has limited room for future development. The local economy is dependent upon service industries, manufacturing, tourism, and medical facilities as its major sources of employment and commerce.

United Trust’s primary market for retail business is also Pinellas County. Its wholesale services are marketed more widely to the Tampa Bay area, consisting of Pinellas, Hillsborough, Pasco and Manatee Counties. EPW markets its services to high net worth individuals and to commercial and governmental clients throughout the State of Florida and secondarily in the Southeastern United States. UBGC’s primary market area is currently Sarasota County, with future plans to expand into Manatee County.

Pinellas County is a highly competitive market for financial, trust and investment services. The Bank faces competition for deposits from other commercial banks, thrift institutions, money market funds and credit unions. Competition for loans of the types originated by the Bank is also strong. Management believes that Pinellas County is considered an attractive market by financial institutions seeking to obtain deposits, as evidenced by the 286 offices of commercial banks and thrift institutions existing in Pinellas County at September 30, 2001.

Operating Strategy

Management believes that the consolidation of the banking industry and the emergence of large regional and national bank holding companies has created opportunities for locally-owned and operated financial institutions to effectively compete for customers who desire a level of personalized banking services that the large banking organizations may not be able to offer. The Bank was organized as a community financial institution owned and managed by people who are actively involved in the Bank’s local market area and committed to the area's economic growth and development. With local ownership and management, the Company believes that the Bank can be more responsive to the banking needs of the community it serves and can tailor its services to meet its customers' needs rather than providing the standardized services that larger bank holding companies tend to offer.

Local ownership and operation allows the Bank faster, more responsive and flexible decision-making which may not be available at the branch offices of the large bank holding companies that constitute the majority of the financial institution offices located in the Bank's market area.

The principal business of the Bank is to attract deposits from the general public and to invest those funds in various types of loans and other interest-earning assets. The Bank's earnings depend primarily upon the difference between (i) the interest and fees received by the Bank from loans, the securities held in its investment portfolio and other investments; and (ii) expenses incurred by the Bank in connection with obtaining funds for lending (including interest paid on deposits and other borrowings) and expenses relating to day-to-day operations.

The Bank's customers are primarily individuals (including seasonal residents), professionals and small and medium size businesses, located predominantly in Pinellas County, Florida. The Bank seeks to develop new business through an ongoing program of personal calls on both present and potential customers. As a local independent bank, the Bank utilizes traditional local advertising media as well as direct mailings, telephone contacts, and brochures to promote the Bank and develop loans and deposits. In addition, the Bank's directors all have worked or lived in or near the Bank's market area for a number of years, contributing to the Bank's image as a locally-oriented independent institution, which management believes is an important factor to its targeted customer base.

Sources of Funds

The primary source of funds for lending, investment and other general business purposes is deposit accounts. Other sources of funds are loan repayments, proceeds from the sale of loans and investment securities, and borrowings. The Bank expects that loan repayments will be a relatively stable source of funds, while levels of deposits maintained at the Bank will be significantly influenced by general interest rate and money market conditions. Generally, the Company may use short-term borrowings to compensate for reductions in sources of funds normally available, while longer term borrowings may be used to support expanded lending activities. Management believes that the Company's funding requirements can be met through retail deposits in the Company's local market area without reliance on brokered deposits. For additional discussion of asset and liability management policies and strategies, see "Liquidity and Asset/Liability Management."

As of December 31, 2001, the scheduled maturities of deposits of $100,000 or more were as follows (dollars in thousands):

Three months or less	$ 19,659
Over three through six months	9,672
Over six through twelve months	14,781
Over twelve months	5,960
	$ 50,072

The Bank offers a full range of deposit services, including checking and other transaction accounts, savings accounts and time deposits. The following table sets forth the principal types of deposit accounts offered and the aggregate amounts of such accounts at December 31, 2001 (dollars in thousands):

	Weighted Average Interest Rate	Amount	Percent of Total Deposits
Non-interest bearing	0.00%	$ 55,994	19.8%
NOW and Money Market accounts	1.51	93,690	33.2
Savings	1.00	6,316	2.2
Time deposits with original maturities of:			
One year or less	4.46	107,105	37.9
Over 1 year through 5 years	5.08	19,462	6.9
Total time deposits	4.56	126,567	44.8
Total deposits	2.56%	$ 282,567	100.0%

At December 31, 2001, scheduled maturities of time deposits were as follows (dollars in thousands):

Period Ended December 31,	Time Deposits	Percent of Time Deposits
2002	$ 107,105	84.6%
2003	12,032	9.5
2004	2,493	2.0
2005	1,582	1.2
2006	3,355	2.7
Total time deposits	$ 126,567	100.0%

Lending Activities

Overview

The primary source of income generated by the Bank is interest earned on loans held in the Bank's loan portfolio. The Bank's lending activities include commercial, real estate and consumer loans. During 2001, the Bank's net loans increased $60.3 million.

Commercial Loans

The Bank offers commercial loans for working capital purposes, business expansion, seasonal needs, acquisition of equipment, and other business needs. Collateral pledged to secure these loans may include equipment, accounts receivable, or other assets. The Bank often requires personal guarantees of these loans.

SBA Loans

The SBA lending program was established by Congress in 1953 to assist new and established small businesses in obtaining necessary capital. Under this program, the SBA guarantees up to 90% of the principal balance of the loan, subject to a maximum guarantee per loan of $1,000,000, thereby removing a portion of the credit risk to the lending financial institution and generally enabling lenders to offer loans under this program at more attractive interest rates for borrowers than other available financing. The SBA loans originated by the Company typically have SBA guarantees for 60% to 90% of the principal balance of the loan. The existence of a secondary market for the guaranteed portion of the SBA loans provides the Bank an opportunity to sell the guaranteed portion of the loans and obtain additional liquidity and income. The Bank typically services such loans and receives servicing fees with respect to such loans.

The only loans sold by the Bank during 2001, 2000, and 1999 were SBA loans. When the Bank sells an SBA loan and retains the servicing of the loan, a servicing asset is recorded. The book value of such assets, which the Company believes approximates the fair value of such assets, at December 31, 2001, 2000, and 1999 was $528 thousand, $392 thousand, and $408 thousand, respectively. Amortization expense relating to such servicing assets of $70 thousand, $43 thousand and $25 thousand was recorded for 2001, 2000, and 1999, respectively. The Company periodically reviews these assets for impairment. No valuation for impairment of these assets was deemed necessary for the periods presented.

At December 31, 2001, the Bank had $10.8 million of SBA loans, of which approximately 17.6% was guaranteed by the SBA. During 2001, the Bank sold guaranteed portions of its SBA loans totaling $10.6 million. At December 31, 2000 the Bank had $12.5 million of SBA loans, of which approximately 32.7% was guaranteed by the SBA. During 2000, the Bank sold guaranteed portions of its SBA loans totaling $5.1 million. At December 31, 1999, the Bank had $10.6 million of SBA loans, of which approximately 27.4% was guaranteed by the SBA. During 1999, the Bank sold guaranteed portions of its SBA loans totaling $8.1 million. The Bank recognized gains on the sale of SBA loans during 2001, 2000 and 1999 of $656 thousand, $286 thousand, and $442 thousand, respectively, and had loan servicing fees on SBA loans during 2001, 2000 and 1999 of $219 thousand, $210 thousand, and $166 thousand, respectively.

Real Estate Loans

The Bank offers commercial and, on a limited basis, residential real estate loans. Commercial real estate loans are made for general corporate purposes, construction and expansion of facilities. Residential loans are made in the form of fixed and variable rate mortgages and home equity loans.

The following tables set forth information concerning the loan portfolio, based on total dollars and percent of portfolio, by collateral type as of the dates indicated (dollars in thousands):

	At December 31,				
	2001	2000	1999	1998	1997
Real estate mortgage loans:					
Commercial real estate	$ 116.081	$ 84,556	$ 82,622	$ 60,693	$ 44,547
One-to-four family residential	12,980	9,685	7,933	7,075	7,482
Multifamily residential	14,911	16,185	13,603	6,673	5,485
Construction and land development	16,796	6,382	4,585	3,572	3,071
Total real estate mortgage loans	160,768	116,808	108,743	78,013	60,585
Commercial loans	78,459	61,970	41,358	34,904	30,536
Consumer loans	6,486	5,501	5,930	4,438	3,998
Other loans	1,773	1,551	839	1,803	1,871
Gross loans	247,486	185,830	156,870	119,158	96,990
Allowances for loan losses	(3,790)	(2,761)	(2,341)	(1,984)	(1,648)
Unearned fees	(1,332)	(1,041)	(1,032)	(628)	(521)
Total loans net of allowance and unearned fees	$ 242,364	$ 182,028	$ 153,497	$ 116,546	$ 94,821

	At December 31,				
	2001	2000	1999	1998	1997
Real estate mortgage loans:					
Commercial real estate	46.9%	45.6%	52.7%	50.9%	45.9%
One-to-four family residential	5.2	5.2	5.1	5.9	7.7
Multifamily residential	6.0	8.7	8.7	5.6	5.7
Construction and land development	6.8	3.4	2.9	3.1	3.2
Total real estate mortgage loans	64.9	62.9	69.4	65.5	62.5
Commercial loans	31.7	33.3	26.4	29.3	31.5
Consumer loans	2.6	3.0	3.7	3.7	4.1
Other Loans	0.8	0.8	0.5	1.5	1.9
Gross loans	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth the contractual amortization of real estate and commercial loans at December 31, 2001. Loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less. The table also sets forth the dollar amount of loans scheduled to mature after one year, according to their interest rate characteristics (dollars in thousands):

	December 31, 2001	
	Real Estate	Commercial
Amounts due:		
One year or less	$ 50,500	$ 56,048
After one through five years	98,731	19,829
More than five years	11,537	2,582
Total	$ 160,768	$ 78,459
Interest rate terms on amounts due after one year:		
Adjustable	$ 73,904	$ 5,046
Fixed	36,364	17,365
Total	$ 110,268	$ 22,411

Investment Management Services

EPW offers investment management services to high net worth individuals, corporate pension and profit sharing plans, charitable entities, and state and local government pension plans. EPW receives fees for its services which vary according to the amount of assets in the account under management. EPW markets its services throughout the State of Florida.

Trust Services

United Trust offers wholesale trust services that include on-line trust account information processing, asset custody and investment support services. These services are offered to legal and accounting firms and to other custodians. United Trust also offers retail trust services including investment management, probate and custodian services which are marketed principally to customers of the Bank and EPW and clients of local attorneys and accountants.

Credit Administration

The loan approval process consists of a combination of individual and committee loan authority. Individual lending authority is based upon experience and is broken down into secured and unsecured requests. The Officers' Loan Committee is made up of commercial lenders and credit administration personnel. The Officers' Loan Committee currently has final approval on all unsecured credit for $100,000 to $1,000,000 and secured credits for $250,000 to $1,000,000. The General Loan Committee is made up of four non-employee directors, the CEO of the Company and the President of the Bank. The General Loan Committee has final approval authority for all loans over $1,000,000 to the legal lending limit of the Bank, except for loans involving directors of the Company which must be approved by a vote of the full Board of Directors of the Bank with the interested director not present during the loan discussion and vote.

The Bank has a policies and procedures manual that addresses the specific underwriting guidelines for specific types of credits. Any deviation from these guidelines is considered to be a policy exception that must be outlined during the approval process and voted upon by the appropriate committee or approved by a loan officer with sufficient lending authority. The guidelines are reviewed and approved by the Board of Directors of the Bank on an annual basis.

The Bank's lending philosophy is to extend credit to businesses or individuals in the Bank's market area who demonstrate sufficient cash flow to repay the debt and whose track record indicate they are borrowers with whom the Bank desires to establish an ongoing lending relationship.

The loan portfolio is under continued review in order to monitor potential credit deterioration. Loans are graded at their inception by the loan officers. Credit administration reviews existing credits on an on-going basis. The Bank also employs an independent third-party loan review company that reviews specific larger size credits on a quarterly basis. This quarterly review is presented to the General Loan Committee for its further review.

Asset Quality

Allowance/Provision for Loan Losses

The allowance for loan losses represents management's estimate of an amount adequate to provide for potential losses within the existing loan portfolio. The allowance is based upon an ongoing quarterly assessment of the probable estimated losses inherent in the loan portfolio, and to a lesser extent, unused commitments to provide financing.

The methodologies for assessing the appropriateness of the allowance consists of several key elements, which include: 1) the formula allowance; 2) review of the underlying collateral on specific loans; and 3) historical loan losses. The formula allowance is calculated by applying loss factors to outstanding loans and unused commitments, in each case based on the internal risk grade of those loans. Changes in risk grades of both performing and non-performing loans affect the amount of the formula allowance. On the larger criticized or classified credits, a review is conducted of the underlying collateral that secures each credit. A worse case scenario review is conducted on those loans to calculate the amount, if any, of potential loss. The historical loan loss method is a review of the last six years of actual losses. The loss percentage is calculated and applied to the current outstanding loans in total.

Various conditions that would affect the loan portfolio are also evaluated. General economic and business conditions that affect the portfolio are reviewed, including: 1) credit quality trends, including trends in past due and non-performing loans; 2) collateral values in general; 3) loan volumes and concentration; 4) recent loss experience in particular segments of the portfolio; 5) duration and strength of the current business cycle; 6) bank regulatory examination results; and 7) findings of the external loan review process. Senior management and the Directors' General Loan Committee review these conditions quarterly. If any of these conditions presents a problem to the loan portfolio, an additional allocation may be recommended.

The following table sets forth information concerning the activity in the allowance for loan losses during the periods indicated (dollars in thousands):

	At December 31,				
	2001	2000	1999	1998	1997
Allowance at beginning of period	$ 2,761	$ 2,341	$ 1,984	$ 1,647	$ 1,610
Allowance related to UBGC	256	-	-	-	-
Charge-offs:					
Real estate loans	115	26	144	195	-
Commercial loans	64	250	274	212	52
Consumer loans	38	38	42	19	39
Total charge-offs	217	314	460	426	91
Recoveries:					
Real estate loans	21	25	-	-	-
Commercial loans	48	54	31	9	38
Consumer loans	14	5	1	2	-
Total recoveries	83	84	32	11	38
Net charge-offs	(134)	230	428	415	53
Provision for loan losses	907	650	785	752	90
Allowance at end of period	$ 3,790	$ 2,761	$ 2,341	$ 1,984	$ 1,647

The following table presents information regarding the Company's total allowance for loan losses as well as its general allocation of such amount to the various loan categories based upon management's estimates (dollars in thousands):

	At December 31,									
	2001		2000		1999		1998		1997	
Allowance Allocation	Amount	Percentage of Loan Portfolio	Amount	Percentage of Loan Portfolio	Amount	Percentage of Loan Portfolio	Amount	Percentage of Loan Portfolio	Amount	Percentage of Loan Portfolio
Performing/not classified:										
Commercial Loans	$ 698	27%	$ 570	30%	$ 448	24%	$ 485	27%	$ 368	31%
Real Estate Loans	1,461	61	1,116	59	1,063	64	607	59	459	53
Consumer Loans	85	5	105	5	78	7	121	7	92	9
Subtotal	2,244	93	1,791	94	1,589	95	1,213	93	919	93
Non-performing/ classified:										
Marginal	262	4	127	3	112	3	29	3	2	5
Substandard	1,148	3	836	3	362	2	677	4	483	2
Doubtful	135	-	-	-	-	-	51	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Subtotal	1,545	7	963	6	474	5	757	7	485	7
Unallocated	1	-	7	-	278	-	14	-	243	-
Total	$ 3,790	100%	$ 2,761	100%	$ 2,341	100%	$ 1,984	100%	$ 1,647	100%

Nonperforming Assets

Nonperforming assets include (i) loans which are 90 days or more past due and have been placed into non-accrual status, (ii) accruing loans that are 90 days or more delinquent that are deemed by management to be adequately secured and in the process of collection, and (iii) ORE (i.e., real estate acquired through foreclosure or deed in lieu of foreclosure). All delinquent loans are reviewed on a regular basis and are placed on non-accrual status when, in the opinion of management, the possibility of collecting additional interest is deemed insufficient to warrant further accrual. As a matter of policy, interest is not accrued on loans past due 90 days or more unless the loan is both well secured and in process of collection. When a loan is placed in non-accrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current income. Additional interest income on such loans is recognized only when received.

The following table sets forth information regarding the components of nonperforming assets at the dates indicated (dollars in thousands):

	At December 31,				
	2001	2000	1999	1998	1997
Real estate loans	$ 2,377	$ 309	$ 1,462	$ 2,820	$ 374
Commercial loans	186	277	453	1,181	26
Consumer loans	-	-	-	-	-
Total non-accrual loans…	2,563	586	1,915	4,001	400
Other Real Estate	141	175	1,528	1,015	-
Accruing Loans 90 days past due	164	107	441	449	251
Total nonperforming assets	$ 2,868	$ 868	$ 3,884	$ 5,465	$ 651

The amount of gross interest income that would have been earned on nonperforming loans was $56 thousand at December 31, 2001.

Competition

The banking industry in general, and the Bank's market area in particular, are characterized by significant competition for both deposits and lending opportunities. In its market area, the Bank competes with other commercial banks, thrift institutions, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and various other non-bank providers of financial services. Competition for deposits may have the effect of increasing the rates of interest the Bank will pay on deposits, which would increase the Bank's cost of funds and possibly reduce its net earnings. Competition for loans may have the effect of lowering the rate of interest the Bank will receive on its loans, which would lower the Bank's return on invested assets and possibly reduce its net earnings. Many of the Bank's competitors have been in existence for a significantly longer period of time than the Bank, are larger and have greater financial and other resources and lending limits than the Bank, and may offer certain services that the Bank does not provide.

There are approximately 286 branch offices of commercial banks and thrift institutions operating in Pinellas County. In order to compete effectively, the Bank seeks to differentiate its services from those offered by larger institutions, including the branch offices of large regional and national bank holding companies. The Bank seeks to provide banking products and services that are customized to its market area and target customers on a personalized basis, which management believes cannot be matched by many of the larger institutions that tend to offer many banking products and services on an impersonal basis. Management believes that, as the banking industry has undergone further consolidation, the opportunity to attract customers seeking personalized service has been enhanced. The Bank seeks to tailor its products and services to its specific geographic market and targeted customers, and to thereby attract the business of professionals, entrepreneurs, and small to medium sized commercial businesses while continuing to provide exceptional banking services to all of its customers. The profitability of the Bank depends upon its ability to compete effectively in its market area. While management believes that the Bank's local ownership, community oriented operating philosophy and personalized service enhances the Bank's ability to compete in its market area, there can be no assurance that the Bank will be able to continue to compete effectively or that competitive factors will not have an adverse effect on the Bank's operating results or financial condition.

Employees

At December 31, 2001, the Company had 128 full-time and 9 part-time employees, none of whom were represented by a union or subject to a collective bargaining agreement. The Company believes its relations with its employees to be good.

Supervision and Regulation

Overview

The Company and the Bank are extensively regulated under both federal and state law. The following is a brief summary of certain statutes, rules and regulations affecting the Company and the Bank. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referenced below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company's business. Supervision, regulation and examination of the Company and the Bank by the bank regulatory agencies are intended primarily for the protection of depositors and other customers rather than shareholders.

Regulation of the Company

The Company is a bank holding company registered with the Federal Reserve under the Bank Holding Company Act of 1956, as amended ("BHC Act"). As such, the Company is subject to the supervision, examination and reporting requirements of the BHC Act and the regulations of the Federal Reserve.

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of the bank; or (iii) it may merge or consolidate with any other bank holding company. Similar federal statutes require bank holding companies and other companies to obtain the prior approval of the Office of Thrift Supervision ("OTS") before acquiring ownership or control of a federal savings association.

The BHC Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues includes the parties' performance under the Community Reinvestment Act of 1977, as amended (the "CRA").

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"), authorizes (i) the Company, and any other bank holding company located in Florida to acquire a bank located in any other state, and (ii) any bank holding company located outside Florida to acquire any Florida-based bank, regardless of state law to the contrary, in either case subject to certain deposit-percentage, aging requirements, and other restrictions. The Interstate Banking Act also generally provides that national and state-chartered banks may branch interstate through acquisitions of banks in other states, unless a state has "opted out" of the interstate branching provisions of the Interstate Banking Act prior to June 1, 1997. Neither Florida nor any other state in the southeastern United States has "opted out". Accordingly, the Company would have the ability to acquire a bank in a state in the Southeast and thereafter consolidate all of its bank subsidiaries into a single bank with interstate branches.

The BHC Act generally prohibits the Company from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The investment management, data processing, administrative and accounting support and asset custody services offered by EPW and United Trust have been determined by the Federal Reserve to be permissible activities of bank holding companies. The BHC Act does not place territorial limitations on permissible nonbanking activities of bank holding companies. Despite prior approval, the Federal Reserve has the power to order a bank holding company or its non-bank subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of the holding company.

Under Federal Reserve policy, bank holding companies are expected to act as a source of financial strength and support to their subsidiary banks. This support may be required at times when, absent such Federal Reserve policy, the holding company may not be inclined to provide it. In addition, any capital loans by a bank holding company to any bank subsidiary are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority payment.

Financial Services Modernization Legislation

On November 12, 1999 the President signed into law the Gramm-Leach-Bliley Act ("Act"), a sweeping piece of financial services reform legislation that for the first time will permit commercial banks to affiliate with investment banks and insurance companies through a holding company structure and will greatly expand the range of activities in which bank affiliates and subsidiaries may engage. The Act repeals key provisions of the Glass-Steagall Act of 1933 that have heretofore prohibited banks from affiliating with entities engaged principally in securities underwriting activities and overrides those state laws that prohibit affiliations of banks and insurance companies or either discriminate against or have a substantially adverse effect on banks selling insurance.

The Act amends the BHC Act to authorize new "financial holding companies" ("FHCs"). Under the FHC provisions of the Act, a BHC can qualify to become an FHC if all of its bank and thrift subsidiaries are well capitalized and well managed and have a CRA rating of "satisfactory" or better. Once a BHC becomes an FHC, it is permitted to conduct any securities, insurance and merchant banking activities, as well as any other activities that are "financial in nature" or incidental or complementary to a financial activity, such as developing financial software, hosting internet web sites relating to financial matters and operating a travel agency. Under the regulatory structure prescribed by the Act, the Federal Reserve will act as the "umbrella regulator" for the FHC, with each FHC subsidiary subject to supervision and regulation by its own functional regulator or agency.

The Act also gives banks the option of conducting certain newly-permitted financial activities in a subsidiary rather than using an FHC. Banks that satisfy the well capitalized well managed and CRA requirements applicable to FHCs will be able to establish "financial subsidiaries" that are permitted to conduct all financial activities as agency and some financial activities as principal such as securities underwriting. The main activities in which financial subsidiaries are prohibited from engaging are insurance underwriting, real estate development and, at least for the next five years, merchant banking.

In addition to enabling banks and their holding companies to conduct a wide range of financial activities, the Act also contains a number of privacy requirements with which banks and other financial institutions must comply. Under the Act, all financial institutions must adopt a privacy policy and make its policy known to those who become new customers and provide annual disclosure of its policy to all of its customers. They must also give their customers the right to "opt out" whenever they want to disclose nonpublic customer information to non-affiliates. An exception to this opt out requirement is made where the third party is performing services on behalf of the financial institution or pursuant to a joint agreement. Financial institutions are also required to take such steps as are necessary to insure the security and confidentiality of customer records and information and to protect against unauthorized access to or use of such records or information.

Regulation of the Bank

The Bank is organized as a Florida-chartered commercial bank and is regulated and supervised by the Florida Department of Banking and Finance (the "Department"). In addition, the Bank is regulated and supervised by the Federal Reserve, which serves as its primary federal regulator and, to a lesser extent, by the Federal Deposit Insurance Corporation ("FDIC") as the administrator of the fund that insures the Bank's deposits. Accordingly, the Department and the Federal Reserve conduct regular examinations of the Bank, reviewing the adequacy of the loan loss reserves, quality of loans and investments, propriety of management practices, compliance with laws and regulations, and other aspects of the Bank's operations. In addition to these regular examinations, the Bank must furnish to the Federal Reserve quarterly reports containing detailed financial statements and schedules. The capital ratios of the Bank at December 31, 2001 all exceed the current regulatory minimum guidelines for a “well capitalized” bank.

Federal and Florida banking laws and regulations govern all areas of the operations of the Bank, including reserves, loans, mortgages, capital, issuances of securities, payment of dividends, and establishment of branches. As its primary federal regulator, the Federal Reserve has authority to impose penalties, initiate civil and administrative actions and take other steps intended to prevent the Bank from engaging in unsafe or unsound practices. The Bank is a member of the Bank Insurance Fund (“BIF”) and, as such, deposits in the Bank are insured by the FDIC to the maximum extent permissible by law.

The Bank is subject to the provisions of the CRA. Under the CRA, the Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire communities, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit the Bank's discretion to develop the types of products and services that it believes are best suited to their particular communities, consistent with the CRA. The CRA requires the appropriate federal bank regulatory agency (in the case of the Bank, the Federal Reserve), in connection with their regular examinations, to assess a financial institution's record in meeting the credit needs of the community serviced by it, including low- and moderate-income neighborhoods. A federal banking agency's assessment of a financial institution's CRA record is made available to the public. Further, such assessment is required whenever the institution applies to, among other things, establish a new branch that will accept deposits, relocate an existing office or merge or consolidate with, or acquire the assets of or assume the liabilities of, a federally-regulated financial institution. In the case where the Company applies for approval to acquire a bank or other bank holding company, the federal regulator approving the transaction will also assess the CRA records of the Bank. The Bank received a "Satisfactory" CRA rating in its most recent examination.

In April 1995, the federal banking agencies adopted amendments revising their CRA regulations, with a phase-in schedule applicable to various provisions. Among other things, the amended CRA regulations, which became fully effective on July 1, 1997, substitute for the prior process-based assessment factors a new evaluation system that will rate an institution based on its actual performance in meeting community needs. In particular, the system now focuses on three tests: (i) a lending test, to evaluate the institution's record of making loans in its service areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects; and (iii) a service test, to evaluate the institution's delivery of services through its branches and other offices. The amended CRA regulations also clarify how an institution's CRA performance will be considered in the application process. The Company does not anticipate that the revised CRA regulations will have any material impact on the Bank's operations or its CRA rating.

Deposit Insurance

The Bank is subject to FDIC deposit insurance assessments. The Bank is also subject to a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The system assigns an institution to one of three capital categories: (i) well capitalized, (ii) adequately capitalized, and (iii) undercapitalized. An institution is also assigned, by the FDIC, to one of three supervisory subgroups within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds (which may include, if applicable, information provided by the institution's state supervisor). An institution's insurance assessment rate is then determined based on the capital category and supervisory category to which it is assigned. Under the risk-based assessment system, there are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied. Assessment rates on deposits for an institution in the highest category (i.e., "well capitalized" and "healthy") are less than assessment rates on deposits for an institution in the lowest category (i.e., "undercapitalized" and "substantial supervisory concern"). The Bank is categorized as “well capitalized” as of December 31, 2001.

In addition to FDIC insurance assessments, the Bank is also subject to assessments used to pay interest on bonds issued by the Financing Corporation (the "FICO") under the Deposit Insurance Funds Act (the "Funds Act"). Prior to enactment of the Funds Act, only insurance payments by SAIF-member institutions were available to satisfy FICO's interest payment obligations. Through the end of 2001, the FICO assessment rate on BIF-assessable deposits is required by the statute to be one-fifth of the SAIF rate. Thereafter, FICO assessment rates for members of both insurance funds will presumably be equalized.

Currently, the FICO assessment rate for BIF-assessable deposits is 0.0021 percent (or 2.1 basis points) and the FICO assessment rate for SAIF assessable deposits is 0.0021 percent (or 2.1 basis points). In 2001, the Bank's total FICO payment obligation was $49,755, all of which was attributable to the BIF-assessable deposits. The Bank has no SAIF assessable deposits.

Capital Requirements

The Company and the Bank are required to comply with the capital adequacy standards established by the Federal Reserve. There are three basic measures of capital adequacy for banks that have been promulgated by the Federal Reserve; two risk-based measures and a leverage measure. All applicable capital standards must be satisfied for a bank holding company and a bank to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guidelines for the ratio of total capital ("Total Capital") to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%. At least half of Total Capital (i.e., 4% of risk-weighted assets) must comprise common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less goodwill and certain other intangible assets ("Tier 1 Capital"). The remainder may consist of subordinated debt, other preferred stock, and a limited amount of loan loss reserves ("Tier 2 Capital"). In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets, of 3% for banks that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 3%, plus an additional cushion of 100 to 200 basis points. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities. As of December 31, 2001 the Company’s leverage ratio was 9.37%.

The FDIC Improvement Act of 1991 ("FDICIA") contains "prompt corrective action" provisions pursuant to which banks are to be classified into one of the five categories based upon capital adequacy, ranging from "well capitalized" to "critically undercapitalized", and which require (subject to certain exceptions) the appropriate federal banking agency to take prompt corrective action with respect to an institution that becomes "significantly undercapitalized" or "critically undercapitalized".

The Federal Reserve has issued final regulations to implement the "prompt corrective action" provisions of the FDICIA. In general, the regulations define the five capital categories as follows: (i) an institution is "well capitalized" if it has a total risk-based capital ratio of 10% or greater, has a Tier 1 risk-based capital ratio of 6% or greater, has a leverage ratio of 5% or greater and is not subject to any written capital order or directive to meet and maintain a specific capital level for any capital measures; (ii) an institution is "adequately capitalized" if it has a total risk-based capital ratio of 8% or greater, has a Tier 1 risk-based capital ratio of 4% or greater, and has a leverage ratio of 4% or greater; (iii) an institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8%, has a Tier 1 risk-based capital ratio that is less than 4% or has a leverage ratio that is less than 4%;

(iv) an institution is "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a leverage ratio that is less than 3%; and (v) an institution is "critically undercapitalized" if its "tangible equity" is equal to or less than 2% of its total assets. The Federal Reserve also, after an opportunity for a hearing, has authority to downgrade an institution from "well capitalized" to "adequately capitalized" or to subject an "adequately capitalized" or "undercapitalized" institution to the supervisory actions applicable to the next lower category, for supervisory concerns. The degree of regulatory scrutiny of a financial institution will increase, and the permissible activities of the institution will decrease, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to (i) submit a capital restoration plan; (ii) raise additional capital; (iii) restrict their growth, deposit interest rates, and other activities; (iv) improve their management; (v) eliminate management fees; or (vi) divest themselves of all or part of their operations. Bank holding companies controlling financial institutions can be called upon to boost the institutions' capital and to partially guarantee the institutions' performance under their capital restoration plans. As of December 31, 2001, the Company met the criteria to be considered well capitalized, with Tier 1 and total capital equal to 11.02% and 15.14% of its respective total risk-weighted assets. While the Company's capital levels have been in excess of those required to be maintained by a "well capitalized" financial institution, rapid growth, poor loan portfolio performance, or poor earnings performance, or a combination of these factors, could change the Company's capital position in a relative short period of time, making an additional capital infusion necessary.

Dividends

As a Florida-chartered commercial bank, the Bank is subject to the laws of Florida as to the payment of dividends. Under the Florida Financial Institutions Code, the prior approval of the Department is required if the dividend declared by a bank in any quarter or semiannual or annual period will exceed the sum of the bank's net profits for that period and its retained net profits for the preceding two years.

Under Federal law, if, in the opinion of the federal banking regulator, a bank or thrift under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the depository institution, could include the payment of dividends), such regulator may require, after notice and hearing, that such institution cease and desist from such practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the FDICIA’s “prompt corrective action” regulations adopted by the federal banking agencies, a depository institution may not pay any dividend to its holding company if payment would cause it to become undercapitalized or if it already is undercapitalized.

Federal Reserve System

The Federal Reserve regulations require banks to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve regulations, effective November 28, 2000, generally require that reserves be maintained against aggregate transaction accounts as follows: (i) for accounts aggregating $42.8 million or less the reserve requirement is 3%; and (ii) for accounts greater than $42.8 million, the reserve requirement is $1.284 million plus 10.0% against that portion of total transaction accounts in excess of $42.8 million. The first $5.5 million of otherwise reservable balances are exempted from the reserve requirements. As of December 31, 2001, the Bank was in compliance with the foregoing requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements imposed by the Department. These reserve requirements are subject to annual adjustments by the Federal Reserve and higher reserve requirements may be imposed in the future. Because required reserves must be maintained in the form of either vault cash, a noninterest-bearing account at a Federal Reserve Bank or a pass-through account as defined by the Federal Reserve, the effect of this reserve requirement is to reduce the Bank's interest-earning assets.

Liquidity

Under Florida banking regulations, the Bank is required to maintain a daily liquidity position equal to at least 15% of its total transaction accounts and 8% of its total nontransaction accounts, less those deposits of public funds for which security has been pledged as provided by law. The Bank may satisfy its liquidity requirements with cash on hand (including cash items in process of collection), deposits held with the Federal Reserve, demand deposits due from correspondent banks, Federal funds sold, interest-bearing deposits maturing in 31 days or less and the market value of certain unencumbered, rated, investment-grade securities and securities issued by Florida or any county, municipality or other political subdivision within the State. The Federal Reserve also reviews the Bank's liquidity position as part of its examination and imposes similar requirements on the Bank. Any Florida-chartered commercial bank that fails to comply with its liquidity requirements generally may not further diminish liquidity either by making any new loans (other than by discounting or purchasing bills of exchange payable at sight) or by paying dividends. At December 31, 2001, the Bank's net liquid assets exceeded the minimum amount required under the applicable Florida regulations.

Monetary Policy and Economic Controls

The banking business is affected not only by general economic conditions, but also by the monetary policies of the Federal Reserve. Changes in the discount rate on member bank borrowing, availability of borrowing at the "discount window", open market operations, the imposition of changes in reserve requirements against bank deposits and the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates are some of the instruments of monetary policy available to the Federal Reserve. The monetary policies have had a significant effect on the operating results of commercial banks and are expected to continue to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment and short- and long-term changes in the international trade balance and in the fiscal policies of the United States Government. Future monetary policies and the effect of such policies on the future business and earnings of the Bank cannot be predicted.

Future Legislation

Various legislation is from time to time introduced in Congress. Such legislation may change banking statutes and the operating environment of the Company and its bank and non-bank subsidiaries in substantial and unpredictable ways. There is no assurance that any legislation will be enacted and, if enacted, the ultimate effect that any such potential legislation or implementing regulations would have upon the financial condition or results of operations of the Company.

Changes in Accounting Standards

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, Business Combinations, and SFAS 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these statements are as follows:

- All business combinations consummated after June 30, 2001 must use the purchase method of accounting.
- Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, rented, etc.
- Goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001 will not be amortized. Effective January 1, 2002, all previously recognized goodwill or intangible assets with indefinite lives would no longer be subject to amortization.
- Effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.
- All acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

The Company does not expect SFAS 141 and 142 to have a material impact on the Company’s statement of earnings or balance sheet.

In July 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset, except for certain obligations of lessees. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not expect SFAS 143 to have a material impact on the Company's statement of operations or balance sheet.

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FASB 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. The provisions of the statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company does not expect SFAS 144 to have a material impact on the Company's statement of earnings or balance sheet.

ITEM 2. DESCRIPTION OF PROPERTY

The principal executive offices of the Company, the Bank and United Trust are located in an office building at 333 Third Avenue North, St. Petersburg, Florida 33701. This facility was renovated in 1997, is owned by the Company and has a total of five floors and approximately 47,400 square feet of usable space. The Company and its subsidiaries occupy a total of approximately 25,000 square feet on the first two floors and a portion of the third floor of the building. As of December 31, 2001, the balance of the building was leased to tenants. Adequate parking, lobby, safe deposit boxes, and drive-thru facilities are provided to customers of the Bank at this location.

The Bank has additional branch locations at 5801 49th Street North, St. Petersburg ("North"), 5601 Park Street North, St. Petersburg ("Five Towns"), 6500 Gulf Boulevard, St. Pete Beach ("St. Pete Beach"), 7490 Bryan Dairy Road, Largo ("Bryan Dairy") and 3029 Enterprise Road, Clearwater ("Enterprise"), and an Operations Center at 1770 Commerce Avenue North, St. Petersburg, all in Pinellas County Florida. No banking services are offered at the Operations Center. Except for Five Towns, Enterprise and the Operations Center, these facilities are owned by the Company. All branches offer both lobby and drive-thru banking facilities except for Five Towns, which offers only lobby facilities to the Bank's customers. Five Towns is leased for a term expiring October 2005, with no renewal option. Enterprise is leased for a term expiring on October 2013, with 15 renewal options of 5 years each. UBGC offers lobby banking services and is located at 1400 State Street, Sarasota, Florida (Sarasota County). The facility is leased for a term expiring March 2008 and has one 5-year renewal option.

EPW's main office is located in an office building in Tampa, Florida in which EPW leases approximately 3,190 square feet of space pursuant to a lease expiring February 2003, with no renewal option. EPW's Jacksonville, Florida office operates out of a private home owned by an officer of EPW.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings in the ordinary course of its business. Based on information presently available, management does not believe that the ultimate outcome of such proceedings, in the aggregate, would have a material adverse effect on the Company's financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

There were no matters submitted to a vote of the Company's security-holders during the fourth quarter of its fiscal year ended December 31, 2001.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Shares of the Company's Common Stock, par value $.01 per share (the "Common Stock"), are quoted on the Nasdaq SmallCap Market under the symbol UFHI. At the close of business on February 21, 2002, there were outstanding 4,440,421 shares of Common Stock which were held by approximately 400 record and beneficial shareholders.

The following table sets forth the high and low closing sales prices for the Common Stock as quoted by Nasdaq for the period indicated:

	High	Low
Year Ended December 31, 1999:		
First Quarter	$ 7.75	$ 6.50
Second Quarter	$ 7.50	$ 6.38
Third Quarter	$ 7.25	$ 6.63
Fourth Quarter	$ 7.19	$ 6.69
Year Ended December 31, 2000:		
First Quarter	$ 7.00	$ 6.50
Second Quarter	$ 7.38	$ 6.63
Third Quarter	$ 7.82	$ 7.25
Fourth Quarter	$ 7.63	$ 7.00
Year Ended December 31, 2001:		
First Quarter	$ 7.75	$ 7.00
Second Quarter	$ 9.25	$ 7.35
Third Quarter	$10.50	$ 8.75
Fourth Quarter	$11.00	$ 9.01

Since 1995, the Company has declared and paid quarterly cash dividends on the Common Stock to record holders of the Common Stock at each calendar quarter end, payable on the last day of the following month. Starting in the first quarter of 1997, such dividends were paid at the rate of $0.0333 per share of Common Stock until the third quarter of 1998, when a dividend of $0.04 per share was declared. The dividend rate was increased to $0.05 per share in the third quarter of 2000 and $0.05½ per share in the third quarter of 2001. Regular quarterly cash dividends were declared throughout 2001. The Company currently has no plans to modify the amount or timing of such dividends.

The Company is primarily a holding company with no material business operations, sources of income or assets of its own other than the shares of its subsidiaries. Because substantially all of the Company's operations are conducted through subsidiaries, the Company's cash flow and, consequently, its ability to pay dividends or make other distributions is dependent upon either third-party borrowings made by the Company or the cash flow of its subsidiaries and the payment of funds by those subsidiaries, including the Bank, to the Company in the form of loans, dividends, fees or otherwise. The Company's subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to make any funds available, whether in the form of loans, dividends or otherwise. Regulatory limitations on the Bank restrict its ability to make loans or distributions to the Company.

Use of Proceeds

On December 10, 1998, UFH Capital Trust I ("UFH Capital"), a Delaware statutory business trust, all of the common equity interests of which are owned by the Company, and the Company's joint Registration Statement on

Form SB-2 (Nos. 333-60431 and 333-60431-01) (the "Registration Statement") became effective, registering the initial public offering by the Company of 450,000 shares of the Company's common stock, par value $.01 per share, and up to 1,200,000 shares of 9.4% Cumulative Trust Preferred Securities with a liquidation amount of $5 per share (the "Preferred Securities"), representing preferred undivided beneficial interests in the assets of UFH Capital. Furthermore, pursuant to such Registration Statement, the Company registered up to an additional 67,500 shares of its common stock and UFH Capital registered up to an additional 180,000 shares of Preferred Securities in the event that the managing underwriter for the offering, William R. Hough & Co. (the “Underwriter”), exercised its option to purchase such shares to cover over-allotments.

All of the gross proceeds received by UFH Capital from the offering of the Preferred Securities and certain other funds of UFH Capital were invested in an equivalent amount of the Company's 9.4% Junior Subordinated Debentures (the "Junior Subordinated Debentures") totaling $6,959,200, which were issued by the Company to UFH Capital. All of the Junior Subordinated Debentures were registered as part of the Registration Statement. In addition, a guarantee of the Company relating to the Preferred Securities was also registered as part of the Registration Statement. The Company's and UFH Capital's initial public offerings terminated on January 8, 1999, upon the exercise of the Underwriter's over-allotment option with respect to the Common Stock and the Preferred Securities.

From December 10, 1998, through December 31, 1998, approximately $2.7 million of the estimated net offering proceeds of $9,528,446 were used by the Company to repay debt to the lender under the Company's senior credit facility and $1.5 million was contributed to the capital of the Bank.

In March 1999, the Company purchased a $273,000 equity position, or approximately 5 percent, in United Insurance Holdings, LC (“Insurance Holdings”). In October 2000, the Company increased its ownership by an additional $892,000, bringing its total investment to approximately $1,165,000 or 16 percent. Insurance Holdings is the parent company of United Property Insurance and Casualty Company, Inc. The Company has the option to acquire, at its election, up to an aggregate of 20 percent of the common equity of Insurance Holdings. Additionally, the Company originally made a $1 million loan advance to Insurance Holdings with a maturity date of June 8, 1999. The loan was subsequently renewed for $0.5 million and was paid in full in January 2001. One director of the Company also serves as a director of Insurance Holdings, one director of the company serves as a director of United Insurance Management, LC, and one director of the Company serves as a director of United Property and Casualty Insurance Company.

In April 1999, the Company purchased a $500,000 equity position, or approximately 2.2% of the outstanding capital stock, in Nexity Financial Corporation (“Nexity”). Nexity acquired an Alabama state chartered bank and intends to pursue an Internet banking business strategy and ultimately raise additional capital in an initial public offering.

In April 2001, the Company completed the acquisition of UBGC for a cash payment of approximately $2.1 million and the issuance of 384,394 shares of Series One Preferred stock valued at $3.1 million. With the completion of this acquisition, the Company has fully disbursed the net offering proceeds.

ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2001 AND 2000

Comparison of Balance Sheets at December 31, 2001 and December 31, 2000

Overview

Total assets of the Company were $344.2 million at December 31, 2001, compared to $243.5 million at December 31, 2000, an increase of $100.7 million or 41.4%. This increase was the result of the acquisition of UBGC, with assets of approximately $49 million, and of the Company’s internal growth of earning assets (primarily loans) funded by an increase in deposits and securities sold under agreements to repurchase.

Investment Securities

Investment securities, consisting of U.S. Treasury and federal agency securities, obligations of state and political subdivisions and mortgage-backed and corporate debt securities, were $46.5 million at December 31, 2001, compared to $27.3 million at December 31, 2000, an increase of $19.2 million or 70.3%. The increase in securities was due in part to the acquisition of UBGC, which had $5.0 million at the date of the acquisition. At December 31, 2001, the Company held certain securities totaling $26.8 million as available for sale. These securities have been recorded at market value.

Loans

Total loans were $247.5 million at December 31, 2001 compared to $185.8 million at December 31, 2000, an increase of $61.7 million or 33.2%. The increase in loans was due in part to the acquisition of UBGC, which had $15.2 million at the date of the acquisition. For the same period, real estate mortgage loans increased by $44.0 million or 37.6%, commercial loans increased by $16.5 million or 26.6%, and all other loans including consumer loans increased by $1.2 million or 17.1%. Net loans were $242.4 million at December 31, 2001, compared to $182.0 million at December 31, 2000.

Asset Quality and Allowance for Loan Losses

The allowance for loan losses amounted to $3.8 million at December 31, 2001, compared to $2.8 million at December 31, 2000, an increase of $1.0 million or 35.7%. During 2001, $217 thousand in loans were charged off, $907 thousand was added to the allowance for loan losses through a provision, which was accounted for as an expense, reducing net income, $83 thousand was recovered from loans previously charged off, and $256 thousand of reserve was acquired with UBGC.

Nonperforming Assets

Nonperforming assets were $2.9 million at December 31, 2001, compared to $.9 million at December 31, 2000. Nonperforming assets at December 31, 2001 consisted of nonperforming loans of $2.8 million and other real estate owned (ORE) of $.1 million. ORE owned consists of two properties, both of which have been listed for sale. Management believes that these properties are carried at values that are equal to their current market value.

Premises and Equipment

Premises and equipment were $11.7 million at December 31, 2001, compared to $10.1 million at December 31, 2000, an increase of $1.6 million or 15.7%. This increase was primarily due to the acquisition of a new branch site and related equipment, less the depreciation of buildings and equipment and amortization of leasehold improvements.

Deposits

Total deposits were $282.6 million at December 31, 2001, compared to $202.2 million at December 31, 2000, an increase of $80.4 million or 39.8%. The increase in deposits was due in part to the acquisition of UBGC, which had $24.9 million at the date of acquisition. From December 31, 2000 to December 31, 2001, demand deposits increased $18.9 million, NOW and money market deposits increased $14.8 million, savings deposits increased $1.7 million, time deposits of $100 thousand or greater increased $22.1 million, and other time deposits increased $22.9 million.

Convertible Subordinated Debentures

Convertible subordinated debentures of $630 thousand were outstanding as of December 31, 2000 and December 31, 1999. The debentures were subsequently called on January 15, 2001, and the full balance was converted into 152,783 shares of Common Stock.

Mandatory Redeemable Capital Securities of Subsidiary Trusts

UFH Capital Trust I

In December 1998, the Company, through a statutory business trust created and owned by the Company, issued $6,749,600 (including an overallotment of $749,600 that closed on January 14, 1999) of 9.40% Cumulative Trust Preferred Securities that will mature on December 10, 2028. The principal assets of the statutory business trust are debentures issued to the Company in an aggregate amount of $6.96 million, with an interest rate of 9.40% and a maturity date of December 10, 2028. See Note D of the Consolidated Financial Statements for additional information.

UFH Statutory Trust II

In December 2001, the Company, through a statutory business trust created and owned by the Company, issued $10,000,000 of Cumulative Trust Preferred Securities with a floating rate of 3 month LIBOR, plus 360 basis points that will mature on December 18, 2031. The principal assets of the statutory business trust are debentures issued to the Company in an aggregate amount of $10.31 million, with a floating interest rate of 3 month LIBOR, plus 360 basis points, and a maturity date of December 23, 2031. See Note D of the Consolidated Financial Statements for additional information.

Stockholders' Equity

Stockholders' equity was $25.9 million at December 31, 2001, or 7.52% of total assets, compared to $19.5 million, or 8.02% of total assets at December 31, 2000. At December 31, 2001, the Company's Tier I (core) Capital ratio was 11.86%, its Tier I Risk-based Capital ratio was 13.96%, and its Total Risk-based Capital ratio was 15.14%. The capital ratios of the Company at that date all exceeded the minimum regulatory guidelines for an institution to be considered "well capitalized". The increase in stockholders' equity was due to the Company's 2001 net income, less dividends declared.

Comparison of Results of Operations for the Years Ended December 31, 2001 and 2000

Overview

Net income for the year ended December 31, 2001 was $3.2 million or $0.70 per share diluted, compared to $3.1 million or $0.69 per share diluted for the same period in 2000. On a pre-tax basis, United Trust earned $161 thousand in 2001 versus $476 thousand in 2000, EPW's pre-tax operating profits increased to $272 thousand from a $145 thousand loss (including $495 thousand of costs associated with the issuance of certain performance shares issued pursuant to the acquisition of EPW) during this period and Commercial Banking pre-tax profits increased to $5.7 million from $5.4 million during this same period.

Business Segment Information

The Company's operations include three business segments: commercial banking, trust services (operated through United Trust) and investment management services (operated through EPW). The following are the results of operations for these three segments for the years ended December 31, 2001 and 2000 (dollars in thousands).

	Years Ended December 31,							
	2001				2000			
	Commercial Banking	United Trust	EPW	Company Total	Commercial Banking	United Trust	EPW	Company Total
Interest income	$ 22,179	$ 197	$ -	$ 22,376	$ 19,034	$ 244	$ -	$ 19,278
Interest expense	9,025	-	-	9,025	7,438	-	-	7,438
Net interest income	13,154	197	-	13,351	11,596	244	-	11,840
Loan loss provision	907	-	-	907	650	-	-	650
Net interest income after loan loss provision	12,247	197	-	12,444	10,946	244	-	11,190
Noninterest income	3,021	1,587	1,578	6,186	2,024	1,519	1,701	5,244
General and Administrative expenses	9,578	1,531	1,306	12,415	7,571	1,214	1,846	10,631
Amortization of goodwill	39	92	-	131	14	73	-	87
Total noninterest expense	9,617	1,623	1,306	12,546	7,585	1,287	1,846	10,718
Net income (loss) before taxes	$ 5,651	$ 161	$ 272	6,084	$ 5,385	$ 476	$ (145)	5,716
Net corporate overhead expense				1,014				929
Income tax expense				1,844				1,733
Net income				$ 3,226				$ 3,054

Commercial Banking Activities. The Company's commercial banking activities are conducted through the Bank and UBGC. Net interest income of Commercial Banking for the year ended December 31, 2001 was $13.2 million, compared to $11.6 million for the same period in 2000, a $1.6 million or 13.4% increase. Based on the Company's analysis of its loan portfolio and loan loss reserve, the loan loss provision was increased to $907 thousand for 2001, compared to $650 thousand for 2000. Non-interest income for 2001 was $3.0 million, compared to $2.0 million in 2000. Total non-interest expense was $9.6 million for 2001, compared to $7.6 million for 2000, a 26.8% increase. Net income before taxes was $5.7 million for 2001, compared to $5.4 million for 2000, a 5.6% increase.

Trust Activities. United Trust reported net income before taxes of $161 thousand for the year ended December 31, 2001, compared to $476 thousand for 2000, a decrease of $315 thousand. The decrease in net income before taxes was due to an increase of $317 in general and administrative expense, including an increase in salary and benefit expense related to the addition of professional trust staff.

Investment Advisory Activities. Net income before taxes for EPW was $272 thousand for the year ended December 31, 2001, compared to net loss before taxes of $145 thousand for the same period of 2000, a $417 thousand increase. In 2001, no expenses were incurred due to the issuance of "performance shares" pursuant to the acquisition of EPW as compared to expenses of $495 thousand in 2000. At December 31, 2000 all liability relating to the acquisition of EPW had been recognized and no more "performance shares" will be issued. Additionally, EPW's revenue declined by $123 thousand in 2001, primarily as the result of delines in the market value of assets under management.

Analysis of Net Interest Income

Net interest income for the year ended December 31, 2001 was $12.4 million, compared to $11.2 million for the same period in 2000, a $1.2 million or 10.7% increase. Interest income was $22.4 million for the year ended December 31, 2001, compared to $19.3 million for the same period in 2000, a $3.1 million or 16.1% increase.

Interest expense was $9.0 million for the year ended December 31, 2001, compared to $7.4 million for the same period in 2000, a $1.6 million or 21.3% increase.

The following table summarizes the average yields earned on interest-earning assets and the average rates paid on interest-bearing liabilities for the years ended December 31, 2001 and 2000 (dollars in thousands):

	Years Ended December 31,					
	2001			2000		
	Average Balance	Interest	Average Rate(1)	Average Balance	Interest	Average Rate
Summary of average rates/interest earning assets:						
Interest earning assets:						
Loans, net(2)	$ 214,054	$ 19,563	9.30%	$ 166,605	$ 17,030	10.22%
Securities:						
Investment securities – taxable	34,490	1,940	6.00	25,496	1,618	6.35
Investment securities - non-taxable (3)	601	29	7.66	744	37	7.89
Federal funds sold	22,772	739	3.61	7,211	452	6.27
Total earning assets	271,917	22,271	8.40%	200,056	19,137	9.58%
Non-earning assets	34,483			28,279		
Total average assets	$ 306,400			$ 228,335		
Interest bearing liabilities:						
NOW & money market	$ 91,672	2,389	2.70%	$ 69,137	2,414	3.49%
Savings	5,060	96	1.90	4,974	102	2.05
Time, $100,000 & over	42,315	2,250	5.55	22,053	1,338	6.07
Time other	72,186	3,761	5.47	53,188	2,980	5.60
Convertible subordinated debentures	26	2	8.00	630	50	8.00
Long-term debt	565	29	5.13	-	-	-
Trust preferred securities	7,327	656	8.95	6,750	633	9.40
Other borrowings	14,361	416	2.90	12,512	423	3.38
Total interest bearing liabilities	233,512	9,599	4.27%	169,244	7,940	4.69%
Non-Interest bearing liabilities:						
Deposits	44,858			37,841		
Other	3,887			3,006		
Stockholders' equity	24,143			18,244		
Total liabilities and stockholders' equity	$ 306,400			$ 228,335		
Net interest & net interest spread		$ 12,672	4.13%		$ 11,197	4.89%
Net interest margin			4.73%			5.61%

(1) Includes annualized income from the acquisition of UBGC on April 1, 2001.
(2) Includes non-accrual loans.
(3) Yield calculated on a tax adjusted basis.

The following table reflects the change in net interest income due to changes in the volume and rate of the Company's assets and liabilities for the twelve-month period ended December 31, 2001:

Changes in net interest income (dollars in thousands)	Increase (Decrease)			
	Volume	Rate	Combination Rate/Volume	Total
Interest earning assets:				
Loans, net	$ 4,850	$ (1,536)	$ (781)	$ 2,533
Securities:				
Investment securities – taxable	571	(88)	(161)	322
Investment securities - non-taxable	(11)	(2)	5	(8)
Federal funds sold	975	(192)	(497)	286
Total change in interest income	6,385	(1,818)	(1,434)	3,133
Interest bearing liabilities:				
NOW & money market	787	(547)	(265)	(25)
Savings	2	(8)	-	(6)
Time, $100,000 & over	1,230	(115)	(203)	912
Time other	1,064	(71)	(213)	780
Convertible subordinated debentures	(48)	-	-	(48)
Long-term debt	-	-	29	29
Trust preferred securities	54	(30)	(1)	23
Other borrowings	63	(61)	(9)	(7)
Total change in interest expense	3,152	(832)	(661)	1,658
Increase in net interest income	$ 3,233	$ (986)	$ (772)	$ 1,475

Noninterest Income

Noninterest income for the year ended December 31, 2001 was $5.9 million, compared to $5.1 million in 2000. Increases in service charges on deposits, gain on sale of SBA loans, and other service charges of $854 thousand were offset by a decrease in trust and investment management income.

The following table indicates the components of noninterest income for the years ended December 31, 2001 and 2000 (dollars in thousands):

	For the Years Ended December 31,		
	2001	2000	Increase/ (Decrease)
Service charges on deposit accounts	$ 1,317	$ 1,014	$ 303
Trust and investment management income	3,117	3,172	(55)
Other service charges, fees, and income	448	267	181
Loan servicing fees	219	210	9
Net trading account profit	-	(6)	6
Income on cash value life insurance	148	141	7
Gain on sale of SBA loans	656	286	370
Total noninterest income	$ 5,905	$ 5,084	$ 821

Noninterest Expense

Total noninterest expense for the year ended December 31, 2001 was $12.6 million, compared to $10.8 million for the same period in 2000, an increase of $1.8 million or 16.2%. Substantially all of the increase was in salary and benefits, occupancy expense, furniture and equipment, and data processing expense, and includes $1.0 million of additional expense relating to the operation of UBGC.

The following table reflects the components of noninterest expense for the years ended December 31, 2001 and 2000 (dollars in thousands):

	For the Years Ended December 31,		
	2001	2000	Increase/ (Decrease)
Salaries and employee benefits	$ 7,371	$ 6,501	$ 870
Occupancy expense	948	514	434
Furniture and equipment expense	780	604	176
Data processing expense	809	587	222
Legal and professional fees	164	208	(44)
Amortization of intangible assets	162	118	44
Advertising	434	367	67
Telephone expense	197	189	8
Stationery and supplies	205	181	24
Directors fees	207	243	(36)
Postage expense	119	108	11
Consulting fees	32	151	(119)
Other operating expenses	1,173	1,073	100
Total noninterest expense	$ 12,601	$ 10,844	$ 1,757

YEARS ENDED DECEMBER 31, 2000 AND 1999

Comparison of Balance Sheets at December 31, 2000 and December 31, 1999

Overview

Total assets of the Company were $243.5 million at December 31, 2000, compared to $209.5 million at December 31, 1999, an increase of $34.0 million or 16.2%. This increase was primarily the result of the Company's internal growth of earning assets (primarily loans) funded by an increase in deposits.

Investment Securities

Investment securities, consisting of U.S. Treasury and federal agency securities, obligations of state and political subdivisions and mortgage-backed and corporate debt securities, were $27.3 million at December 31, 2000, compared to $24.4 million at December 31, 1999, an increase of $2.9 million or 11.9%. At December 31, 2000, the Company held certain securities totaling $11.3 million as available for sale. These securities have been recorded at market value.

Loans

Total loans were $185.8 million at December 31, 2000, compared to $156.9 million at December 31, 1999, an increase of $28.9 million or 18.4%. For the same period, real estate mortgage loans increased by $8.1 million or 7.4%, commercial loans increased by $20.6 million or 49.8%, and all other loans including consumer loans increased by $0.3 million or 4.2%. Net loans were $182.0 million at December 31, 2000, compared to $153.5 million at December 31, 1999.

Allowance for Loan Losses

The allowance for loan losses amounted to $2.8 million at December 31, 2000, compared to $2.3 million at December 31, 1999, an increase of $0.5 million or 21.7%. During 2000, $314 thousand in loans were charged off, $650 thousand was added to the allowance for loan losses through a provision, which was accounted for as an expense, reducing net income, and $85 thousand was recovered from loans previously charged off.

Nonperforming Assets

Nonperforming assets were $.9 million at December 31, 2000, compared to $3.9 million at December 31, 1999. Nonperforming assets at December 31, 2000 consisted of nonperforming loans of $.7 million and ORE owned of $.2 million. ORE owned consisted of two properties, both of which have been listed for sale. Management believes that these properties are carried at values that are equal to their current market value.

Bank Premises and Equipment

Bank premises and equipment were $10.1 million at December 31, 2000, compared to $9.6 million at December 31, 1999, an increase of $.5 million or 5.2%. This increase was primarily due to the acquisition of a new branch site and related equipment, less the depreciation of buildings and equipment and amortization of leasehold improvements.

Deposits

Total deposits were $202.2 million at December 31, 2000, compared to $175.1 million at December 31, 1999, an increase of $27.1 million or 15.5%. From December 31, 1999 to December 31, 2000, demand deposits increased $4.1 million, NOW and money market deposits increased $11.0 million, savings deposits decreased $0.3 million, time deposits of $100 thousand or greater increased $11.3 million, and other time deposits increased $.9 million.

Convertible Subordinated Debentures

Convertible subordinated debentures of $630 thousand were outstanding as of December 31, 2000 and December 31, 1999. The debentures were subsequently called on January 15, 2001, and the full balance was converted into 152,783 shares of Common Stock.

Mandatory Redeemable Capital Securities of Subsidiary Trust

In December 1998, the Company, through a statutory business trust created and owned by the Company, issued $6,749,600 (including an overallotment of $749,600 that closed on January 14, 1999) of 9.40% Cumulative Trust Preferred Securities that will mature on December 10, 2028. The principal assets of the statutory business trust are debentures issued to the Company in an aggregate amount of $6.96 million, with an interest rate of 9.40% and a maturity date of December 10, 2028. See Note D of the Consolidated Financial Statements for additional information.

Stockholders' Equity

Stockholders' equity was $19.5 million at December 31, 2000, or 8.02% of total assets, compared to $16.8 million, or 8.02% of total assets at December 31, 1999. At December 31, 2000, the Bank's Tier I (core) Capital ratio was 7.21%, its Tier I Risk-based Capital ratio was 9.27%, and its Total Risk-based Capital ratio was 10.53%. The capital ratios of the Bank at that date all exceeded the minimum regulatory guidelines for an institution to be considered "well capitalized". The increase in stockholders' equity was due to the Company's net income, less dividends declared.

Comparison of Results of Operations for the Years Ended December 31, 2000 and 1999

Overview

Net income for the year ended December 31, 2000 was $3.1 million or $0.69 per share diluted, compared to $2.3 million or $0.54 per share diluted for the same period in 1999. On a pre-tax basis, United Trust earned $476 thousand in 2000 versus $679 thousand in 1999, EPW's pre-tax operating profits (before deducting $495 thousand of costs associated with the issuance of certain performance shares issued pursuant to the acquisition of EPW) increased to $350 thousand from $302 thousand during this period and the Bank's pre-tax profits increased to $5.4 million from $3.8 million during this same period.

Business Segment Information

The Company's operations include three business segments: commercial banking, trust services (operated through United Trust) and investment management services (operated through EPW). The following are the results of operations for these three segments for the years ended December 31, 2000 and 1999 (dollars in thousands).

	Years Ended December 31,							
	2000				1999			
	Commercial Banking	United Trust	EPW	Company Total	Commercial Banking	United Trust	EPW	Company Total
Interest income	$ 19,034	$ 244	$ -	$ 19,278	$ 14,580	$ 196	$ -	$ 14,776
Interest expense	7,438	-	-	7,438	5,264	-	-	5,264
Net interest income	11,596	244	-	11,840	9,316	196	-	9,512
Loan loss provision	650	-	-	650	785	-	-	785
Net interest income after loan loss provision	10,946	244	-	11,190	8,531	196	-	8,727
Noninterest income	2,024	1,519	1,701	5,244	2,001	1,630	1,593	5,224
General and administrative expenses	7,571	1,214	1,846	10,631	6,760	1,108	1,588	9,456
Amortization of goodwill	14	73	-	87	15	39	-	54
Total noninterest expense	7,585	1,287	1,846	10,718	6,775	1,147	1,588	9,510
Net income before taxes	$ 5,385	$ 476	$ (145)	5,716	$ 3,757	$ 679	$ 5	4,441
Net corporate overhead expense				929				786
Income tax expense				1,733				1,322
Net income				$ 3,054				$ 2,333

Commercial Banking Activities. The Company's commercial banking activities are conducted through the Bank. Net interest income of the Bank for the year ended December 31, 2000 was $11.6 million, compared to $9.3 million for the same period in 1999, a $2.3 million or 24.7% increase. Based on the Company's analysis of its loan portfolio and loan loss reserve, the loan loss provision was decreased to $650 thousand for 2000, compared to $785 thousand for 1999. Non-interest income for 2000 was $2.0 million, unchanged from 1999. Total non-interest expense was $7.6 million for 2000, compared to $6.8 million for 1999, an 11.8% increase. Net income before taxes was $5.4 million for 2000, compared to $3.8 million for 1999, a 42.1% increase.

Trust Activities. United Trust reported net income before taxes of $476 thousand for the year ended December 31, 2000, compared to $679 thousand for 1999, a decrease of $203 thousand. Results from 1999 included an extraordinary fee of $350 thousand from a trust account for services provided in conjunction with the sale of a closely held company.

Investment Advisory Activities. Net loss before taxes for EPW was $145 thousand for the year ended December 31, 2000, compared to net income before taxes of $5 thousand for the same period of 1999, a $150 thousand decrease. In 2000, expenses of $495 thousand were incurred due to the issuance of "performance shares" pursuant to the acquisition of EPW as compared to expenses of $297 thousand in 1999. At December 31, 2000 all liability relating to the acquisition of EPW had been recognized and no more "performance shares" will be issued. Income before taxes without this expense would have been $350 thousand, an increase of $48 thousand over 1999. This increase would have been primarily due to an increase in the volume of assets under management by EPW.

Analysis of Net Interest Income

Net interest income for the year ended December 31, 2000 was $11.2 million, compared to $8.9 million for the same period in 1999, a $2.3 million or 25.8% increase. Interest income was $19.1 million for the year ended December 31, 2000, compared to $14.7 million for the same period in 1999, a $4.4 million or 29.9% increase. Interest expense was $7.9 million for the year ended December 31, 2000, compared to $5.8 million for the same period in 1999, a $2.1 million or 36.2% increase.

The following table summarizes the average yields earned on interest-earning assets and the average rates paid on interest-bearing liabilities for the years ended December 31, 2000 and 1999 (dollars in thousands):

	Years Ended December 31,					
	2000			1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Summary of average rates/interest earning assets:						
Interest earning assets:						
Loans, net(1)	$ 166,605	$ 17,030	10.22%	$ 133,243	$ 12,784	9.59%
Securities:						
Investment securities – taxable	25,496	1,618	6.35	25,344	1,613	6.36
Investment securities - non-taxable(2)	744	37	7.89	854	43	7.99
Federal funds sold	7,211	452	6.27	5,454	270	4.95
Total earning assets	200,056	19,137	9.58%	164,895	14,710	8.94%
Non-earning assets	28,279			26,534		
Total average assets	$ 228,335			$ 191,429		
Interest bearing liabilities:						
NOW & money market	$ 69,137	2,414	3.49%	$ 57,058	1,628	2.85%
Savings	4,974	102	2.05	5,230	107	2.05
Time, $100,000 & over	22,053	1,338	6.07	13,437	7,004	5.21
Time other	53,188	2,980	5.60	50,911	2,527	4.96
Convertible subordinated debentures	630	50	8.00	630	50	8.00
Long-term debt	-	-	-	11	1	9.09
Trust preferred securities	6,750	633	9.40	6,750	633	9.40
Other borrowings	12,512	423	3.38	7,296	193	2.65
Total interest bearing liabilities	169,244	7,940	4.69%	141,323	5,839	4.13%
Non-Interest bearing liabilities:						
Deposits	37,841			31,779		
Other	3,006			2,354		
Stockholders' equity	18,244			15,973		
Total liabilities and stockholders' equity	$ 228,335			$ 191,429		
Net interest & net interest spread		$ 11,197	4.89%		$ 8,871	4.80%
Net interest margin			5.61%			5.40%

(1) Includes non-accrual loans.
(2) Yield calculated on a tax adjusted basis.

The following table reflects the change in net interest income due to changes in the volume and rate of the Company's assets and liabilities for the twelve month period ended December 31, 2000:

Changes in net interest income (dollars in thousands)	Increase (Decrease)			
	Volume	Rate	Combination Rate/Volume	Total
Interest earning assets:				
Loans, net	$ 3,201	$ 836	$ 209	$ 4,246
Securities:				
Investment securities – taxable	10	(5)	(0)	5
Investment securities - non-taxable	(9)	(1)	4	(6)
Federal funds sold	87	72	23	182
Total change in interest income	3,289	902	236	4,427
Interest bearing liabilities:				
NOW & money market	345	364	77	786
Savings	(5)	0	0	(5)
Time, $100,000 & over	449	115	74	638
Time other	113	325	15	453
Convertible subordinated debentures	-	-	-	-
Long-term debt	(1)	(1)	1	(1)
Trust preferred securities	-	-	-	-
Other borrowings	138	54	38	230
Total change in interest expense	1,039	857	205	2,101
Increase in net interest income	$ 2,250	$ 45	$ 31	$ 2,326

Noninterest Income

Noninterest income for the year ended December 31, 2000 was $5.1 million, unchanged from the same period in 1999. Increases in service charges on deposits and loan servicing fees of $261 thousand were offset by decreases in gains on sale of SBA loans and other service charges.

The following table indicates the components of noninterest income for the years ended December 31, 2000 and 1999 (dollars in thousands):

	For the Years Ended December 31,		
	2000	1999	Increase/ (Decrease)
Service charges on deposit accounts	$ 1,014	$ 797	$ 217
Trust and investment management income	3,172	3,176	(4)
Other service charges, fees, and income	267	363	(96)
Loan servicing fees	210	166	44
Net trading account profit	(6)	42	(48)
Income on cash value life insurance	141	135	6
Gain on sale of SBA loans	286	442	(156)
Total noninterest income	$ 5,084	$ 5,121	$ (37)

Noninterest Expense

Total noninterest expense for the year ended December 31, 2000 was $10.8 million, compared to $9.6 million for the same period in 1999, an increase of $1.2 million or 12.5%. Substantially all of the increase was in salary and benefits, and includes the expense of staffing new branch offices as well as an increase in expense related to the EPW “performance shares.”

The following table reflects the components of noninterest expense for the years ended December 31, 2000 and 1999 (dollars in thousands):

	For the Years Ended December 31,		
	2000	1999	Increase/ (Decrease)
Salaries and employee benefits	$ 6,501	$ 5,361	$ 1,140
Occupancy expense	514	520	(6)
Furniture and equipment expense	604	607	(3)
Data processing expense	587	487	100
Legal and professional fees	208	175	33
Amortization of intangible assets	118	85	33
Advertising	367	352	15
Telephone expense	189	185	4
Stationery and supplies	181	177	4
Directors fees	243	191	52
Postage expense	108	112	(4)
Consulting fees	151	275	(124)
Other operating expenses	1,073	1,025	48
Total noninterest expense	$ 10,844	$ 9,552	$ 1,292

Liquidity and Asset/Liability Management

The Investment and Asset/Liability Committee of the Board of Directors of the Bank reviews the Bank's liquidity, which is its ability to generate sufficient cash to meet the funding needs of current loan demand, deposit withdrawals, and other cash demands. The primary sources of funds consist of deposits, amortization and prepayments of loans, sales of investments, other funds from operations and the Bank's capital. The Bank is a member of the Federal Home Loan Bank of Atlanta ("FHLB") and has the ability to borrow to supplement its liquidity needs.

When the Bank's primary sources of funds are not sufficient to meet deposit outflows, loan originations and purchases and other cash requirements, the Bank may supplementally borrow funds from the FHLB and from other sources. The FHLB acts as an additional source of funding for banks and thrift institutions that make residential mortgage loans.

FHLB borrowings, known as "advances", are secured by the Bank's mortgage loan portfolio, and the terms and rates charged for FHLB advances vary in response to general economic conditions. As a shareholder of the FHLB, the Bank is authorized to apply for advances from this bank. A wide variety of borrowing plans are offered by the FHLB, each with its own maturity and interest rate. The FHLB will consider various factors, including an institution's regulatory capital position, net income, quality and composition of assets, lending policies and practices, and level of current borrowings from all sources, in determining the amount of credit to extend to an institution. As of December 31, 2001, the Company had no FHLB advances outstanding.

A Florida chartered commercial bank is required to maintain a liquidity reserve of at least 15% of its total transaction accounts and 8% of its total nontransaction accounts less deposits of certain public funds. The liquidity reserve may consist of cash on hand, cash on demand with other correspondent banks and other investments and short-term marketable securities as determined by the rules of the Department, such as federal funds sold and United States securities or securities guaranteed by the United States or agencies thereof. The Company complies with applicable liquidity reserve requirements. As of December 31, 2001 the Bank had liquidity of approximately $51.3 million or approximately 18.1% of total deposits combined with borrowings. The Company's primary sources of funds consist of principal payments on loans and investment securities, proceeds from sales and maturities of securities available for sale and net increases in deposits. The Company uses its funds principally to purchase investment securities and fund existing and continuing loan commitments. At December 31, 2001, the Company had commitments to originate loans totaling $47.5 million. Scheduled maturities of certificates of deposit during the 12 months following December 31, 2001 total $107.1 million as of December 31, 2001.

Management believes the Company has adequate resources to fund all its commitments, and, if so desired, that it can adjust the rates on certificates of deposit to retain deposits in a changing interest-rate environment.

Asset/Liability Management

One of the primary objectives of the Company is to reduce fluctuations in net interest income caused by changes in interest rates. To manage interest rate risk, the Board of Directors has established interest-rate risk policies and procedures which delegate to the Investment and Asset/Liability Committee the responsibility to monitor and report on interest-rate risk, devise strategies to manage interest-rate risk, monitor loan originations and deposit activity, and approve all pricing strategies.

The management of interest-rate risk is one of the most significant factors affecting the ability to achieve future earnings. The measure of the mismatch of assets maturing or repricing within certain periods, and liabilities maturing or repricing within the same period, is commonly referred to as the "gap" for such period. Controlling the maturity or repricing of an institution's assets and liabilities in order to minimize interest rate risk is commonly referred to as gap management. "Negative gap" occurs when, during a specific time period, an institution's liabilities are scheduled to reprice more rapidly than its assets, so that, barring other factors affecting interest income and expense, in periods of rising interest rates the institution's interest expense would increase more rapidly than its interest income, and in periods of falling interest rates the institution's interest expense would decrease more rapidly than its interest income. "Positive gap" occurs when an institution's assets are scheduled to reprice more rapidly than its liabilities, so that, barring other factors affecting interest income and expense, in periods of falling interest rates, the institution's interest income would decrease more rapidly than its interest expense, and in periods of rising interest rates, the institution's interest income would increase more rapidly than its interest expense. It is common to focus on the one-year gap, which is the difference between the dollar amount of assets and the dollar amount of liabilities maturing or repricing within the next 12 months.

To the extent market conditions permit, the Bank follows a strategy intended to protect its net interest income from adverse changes in interest rates by maintaining spreads through the adjustability of its interest earning assets and its interest bearing liabilities. The Bank employs a number of strategies designed to protect its net interest income. The Bank calculates its net interest margin on a monthly basis and compares it to a quarterly national peer group ratio. Historically, the Bank has enjoyed a higher than peer group average net interest margin as well as a higher margin than most of the community banks operating in Pinellas County.

Additionally, the Investment and Asset/Liability Committee meets on a quarterly basis to review the most recent margin analysis, the Bank’s overall pricing strategies, and a monthly gap report measuring its interest rate sensitivity position.

The Bank is also a member of the FHLB. Member banks have access to a variety of fixed and variable rate borrowings, ranging from overnight to up to 20 years or longer. Access to these instruments can permit the Bank to match maturities of either specific groups of loans or larger, single loans. Currently, the Bank has no FHLB advances outstanding.

The cumulative one-year gap at December 31, 2001 was a positive $26.4 million or a positive 7.7% (expressed as a percentage of total assets). The Company performs an income simulation analysis to measure net interest income volatility when the portfolio is subjected to a 200 basis point interest rate shock. Based on the results of this simulation and the current interest rate environment (taking into account competitive pricing and other external factors), the Company believes that its gap position as of December 31, 2001 was acceptable, and currently anticipates that a similar positive gap position will continue in the subsequent one year time period.

The following table presents the maturities or repricing of interest-earning assets and interest-bearing liabilities at December 31, 2001. The balances shown have been derived based on the financial characteristics of the various assets and liabilities. Adjustable and floating-rate assets are included in the period in which interest rates are next scheduled to adjust rather than their scheduled maturity dates. Fixed-rate loans are shown in the periods in which they are scheduled to be repaid according to contractual amortization and, where appropriate, prepayment assumptions based on the coupon rates in the portfolio have been used to adjust the repayment amounts. Repricing of time deposits is based on their scheduled maturities.

Interest Sensitivity Analysis
(dollars in thousands)

	0 to 3 Months	4 to 12 Months	13 to 36 Months	37 to 60 Months	60+ Months	Total
Assets:						
Federal funds sold	$ 12,671	$ -	$ -	$ -	$ -	$ 12,671
Securities	13,449	7,365	10,900	3,234	11,514	46,462
Total Loans	110,518	49,328	60,799	16,220	10,621	247,486
Total rate sensitive assets	$ 136,638	$ 56,693	$ 71,699	$ 19,454	$ 22,135	$ 306,619
Liabilities:						
Interest demand and savings	$ 33,939	$ -	$ 58,954	$ -	$ -	$ 100,006
Time deposits	41,152	66,137	14,383	4,895	-	126,567
Other borrowings	15,525	151	-	-	-	15,676
Long term debt	10,000	-	-	-	6,750	16,750
Total rate sensitive liabilities	$ 100,616	$ 66,288	$ 73,337	$ 4,895	$ 6,750	$ 258,999
Dollar gap	$ 36,022	$ (9,595)	$ (1,638)	$ 14,559	$ 15,385	$ 47,620
Cumulative dollar gap	$ 36,022	$ 26,427	$ 24,789	$ 39,348	$ 54,733	$ 47,620
Cumulative gap/total assets(1)	10.47%	7.68%	7.20%	11.43%	15.90%	13.84%

(1) Calculated based on total assets of $344,192.

The following tables presents various operating ratios at the period ended or for the period ended:

	December 31, 2001	2000	1999
Return on average assets	1.05%	1.34%	1.22%
Return on average equity	13.36%	16.74%	14.61%
Equity to total assets	7.52%	8.02%	8.03%
Dividend payout	31.02%	25.00%	28.46%
Net interest margin	4.73%	5.61%	5.40%

The following table summarizes the Company's securities by maturity and weighted average yields at December 31, 2001. Yields on tax exempt securities are stated at their nominal rates and have not been adjusted for tax rate differences. Refer to Note G – Securities in the Company's Consolidated Financial Statements for additional information regarding the Securities portfolio.

	Within One Year		After One Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years		Total	
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield
Securities held to maturity:										
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,000	6.05%	$ 2,410	6.01%	$ 1,500	6.73%	$ 1,003	5.80%	$ 5,913	6.16%
Obligations of State and political subdivisions	0	0.00%	339	6.88%	600	6.15%	515	4.77%	1,454	5.83%
Other short term investments	100	4.10%	-	0.00%	-	0.00%	-	0.00%	100	4.10%
	1,100	5.87%	2,749	6.12%	2,100	6.57%	1,518	5.45%	7,467	6.07%
Mortgage Backed Securities									12,176	5.92%
Total	$ 1,100	5.87%	$ 2,749	6.12%	$ 2,100	6.57%	$ 1,518	5.45%	$ 19,643	6.07%
Securities available for sale:										
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,798	5.78%	$ 1,218	7.15%	$ -	0.00%	$ -	0.00%	$ 3,016	6.34%
Obligations of State and political subdivisions	-	0.00%	1,216	6.19%	512	9.50%	-	0.00%	1,728	7.17%
Corporate obligations	-	0.00%	525	7.15%	-	0.00%	500	9.16%	1,025	8.14%
Other	6,750	1.75%	-	0.00%	-	0.00%	-	0.00%	6,750	1.75%
	8,548	2.60%	2,959	6.33%	512	9.50%	500	9.16%	12,519	4.12%
Mortgage Backed Securities									12,302	5.75%
Equity Securities									1,998	0.00%
Total	$ 8,548	2.60%	$ 2,959	6.33%	$ 512	9.50%	$ 500	9.16%	$ 26,819	4.56%

FORWARD LOOKING STATEMENTS

This Form 10-KSB contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect," "intend," "anticipate" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they were made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Such factors include competition, general economic conditions, potential changes in interest rates, and changes in the value of real estate securing loans made by the issuer.

FACTORS AFFECTING FUTURE RESULTS

Impact of Changes in Real Estate Values

A significant portion of the Company's loan portfolio consists of loans secured by real estate. At December 31, 2001, 5.2% of the Company's loans were secured by one-to-four family residential real estate, 52.9% were secured by commercial and multifamily residential real estate, 6.8% were construction loans and the Company had ORE acquired through foreclosure with a book value of $0.1 million. The properties securing these loans are located in Florida. Real estate values and real estate markets generally are affected by, among other things, changes in national, regional or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in the tax laws and other governmental statutes, regulations and policies and acts of nature. Any decline in real estate prices, particularly in Florida, could significantly reduce the value of the real estate collateral securing the Company's real estate loans, increase the level of the Company's nonperforming loans, require write-downs in the book value of its ORE, and have a material negative impact on the Company's financial performance.

Nonperforming Assets

The Company's ratio of nonperforming assets to total assets was .83% at December 31, 2001, which the Company believes is somewhat above the average level of other similarly-sized financial institutions. While the Company carefully manages its loan portfolio with a view to minimizing its nonperforming assets, there can be no assurance that the Company's ratio of nonperforming assets to total assets will improve or not increase, particularly if general economic conditions deteriorate.

Adequacy of Allowance for Loan Losses

Industry experience indicates that a portion of the Company's loans will become delinquent and a portion of the loans will require partial or entire charge-off. Regardless of the underwriting criteria utilized by the Company, losses may be experienced as a result of various factors beyond the Company's control, including, among other things, changes in market conditions affecting the value of properties and problems affecting the credit of the borrower. The Company's determination of the adequacy of its allowance for loan losses is based on various considerations, including an analysis of the risk characteristics of various classifications of loans, previous loan loss experience, specific loans which would have loan loss potential, delinquency trends, estimated fair value of the underlying collateral, current economic conditions, the view of the Company's regulators, and geographic and industry loan concentration. If, however, delinquency levels were to increase as a result of adverse general economic conditions, especially in Florida, the loan loss reserve so determined by the Company may not be adequate. To the extent that the Company's loan losses exceed its allowance for loan losses, the Company's results of operations would be adversely affected. There can be no assurance that the Company's allowance for loan losses will be adequate to cover its loan losses or that the Company will not experience losses in its loan portfolio which may require significant increases to the allowance for loan losses in the future.

Potential Impact of Changes in Interest Rates

The Company's profitability is dependent to a large extent on its net interest income, which is the difference between its interest income on interest-earning assets and its interest expense on interest-bearing liabilities. The Company, like most financial institutions, is affected by changes in general interest rate levels, which are currently at relatively low levels, and by other economic factors beyond its control. Interest rate risk arises from mismatches (i.e., the interest sensitivity gap) between the dollar amount of repricing or maturing assets and liabilities, and is measured in terms of the ratio of the interest rate sensitivity gap to total assets. More assets repricing or maturing than liabilities over a given time frame is considered asset-sensitive and is reflected as a positive gap, and more liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive and is reflected as a negative gap. An asset-sensitive position (i.e., a positive gap) will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position (i.e., a negative gap) will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Company has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates. At December 31, 2001, the Company had a one-year cumulative positive gap of 7.7%. This positive one-year gap position may, as noted above, have a negative impact on earnings in a falling interest rate environment.

Regulatory Oversight

The Bank is subject to extensive regulation, supervision and examination by the Department as its chartering authority and primary regulator, by the Federal Reserve as its federal regulator and by the FDIC as administrator of the insurance fund that insures the Bank's deposits up to applicable limits. As the holding company of the Bank, the Company is subject to regulation and oversight by the Federal Reserve. Such regulation and supervision governs the activities in which an institution may engage and is intended primarily for the protection of the FDIC insurance funds and depositors. Regulatory authorities have been granted extensive discretion in connection with their supervisory and enforcement activities and regulations have been implemented which have increased capital requirements, increased insurance premiums and have resulted in increased administrative, professional and compensation expenses. Any change in the regulatory structure or the applicable statutes or regulations could have a material impact on the Company, the Bank and their operations. Additional legislation and regulations may be enacted or adopted in the future which could significantly affect the powers, authority and operations of the Bank and the Bank's competitors which in turn could have a material adverse effect on the Bank and its operations.

Dependence on Existing Management

The Company's business depends in large part upon the availability of the services of its senior management, including Neil W. Savage, Ward J. Curtis, Jr., Harold J. Winner and William A. Eickhoff. If the services of any of such senior management personnel were to become unavailable to the Company, the Company's business and operating results could be adversely affected. While the Company maintains key-man life insurance policies on certain of its senior management personnel, naming the Company as beneficiary, there can be no assurance that the proceeds of any such policies would adequately compensate the Company for the loss of the services of any of such persons. Neither Mr. Savage nor Mr. Winner has entered into a non-competition agreement with the Company or the Bank. Although both Mr. Eickhoff's and Mr. Curtis's employment contracts contain non-competition clauses, the provisions terminate under certain conditions.

Control by Existing Shareholders

The Company's directors and executive officers (and their respective affiliates and immediate family members) own approximately 42.9% of the outstanding Common Stock. As a result of such ownership, these persons will likely be able to effectively control the election of the Company's directors and the outcome of matters requiring shareholder approval, and thereby control the management and policies of the Company.

Competition

The Company competes with various types of financial institutions, including other commercial banks and savings institutions, and with finance companies, mortgage banking companies, money market mutual funds, investment advisory firms and companies and credit unions, many of which have substantially greater financial resources than the Company and, in some cases, operate under fewer regulatory constraints.

Anti-Takeover Considerations

The Company's articles of incorporation and bylaws and Florida law contain certain provisions that may discourage or make more difficult any attempt by a person or group to obtain control of the Company. In addition, the board of directors of the Company is empowered to issue from time to time one or more series of Undesignated Preferred Stock without shareholder approval, the terms of which could have the effect of delaying or preventing a change in control of the Company.

Possible Volatility of Share Price

The market price of the Common Stock may experience fluctuations that are unrelated to the operating performance of the Company. The market price of the Common Stock may be affected by conditions in the securities markets generally as well as developments in the banking industry or the United States or world economy. Any securities exchange on which the Common Stock may be traded may from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. The market price of the Common Stock, like the stock prices of many publicly traded bank holding companies, may prove to be highly volatile.

Restrictions on Ability to Pay Dividends

The Company is primarily a holding company with no material business operations, sources of income or assets of its own other than the shares of its subsidiaries. Because substantially all of the Company's operations are conducted through subsidiaries, the Company's cash flow and, consequently, its ability to pay dividends or make other distributions is dependent upon either third-party borrowings made by the Company or the cash flow of its subsidiaries and the payment of funds by those subsidiaries, including the Bank, to the Company in the form of loans, dividends, fees or otherwise. The Company's subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to make any funds available, whether in the form of loans, dividends or otherwise. Regulatory limitations on the Bank restrict its ability to make loans or distributions to the Company.

ITEM 7. FINANCIAL STATEMENTS

The following financial statements are contained on pages F-1 through F-46 of this Report:

Report of Independent Certified Public Accountants;

Consolidated Balance Sheets – December 31, 2001 and 2000

Consolidated Statements of Earnings – Years ended December 31, 2001, 2000 and 1999;

Consolidated Statements of Comprehensive Income – Years ended December 31, 2001, 2000 and 1999;

Consolidated Statement of Stockholders' Equity – Years ended December 31, 2001, 2000 and 1999;

Consolidated Statements of Cash Flows – Years ended December 31, 2001, 2000 and 1999;

Notes to Consolidated Financial Statements

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information required by Item 9 of Form 10-KSB is incorporated herein by reference to the Company's definitive Proxy Statement for the 2002 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year.

ITEM 10. EXECUTIVE COMPENSATION

Information required by Item 10 of Form 10-KSB is incorporated herein by reference to the Company's definitive Proxy Statement for the 2002 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 11 of Form 10-KSB is incorporated herein by reference to the Company's definitive Proxy Statement for the 2002 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 12 of Form 10-KSB is incorporated herein by reference to the Company's definitive Proxy Statement for the 2002 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the Company's fiscal year.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.1	Amended and Restated Articles of Incorporation of the Company*
3.2	Bylaws of the Company*
10.1	UFH Stock Option and Incentive Compensation Plan*
10.2	Trust Department Stock Option Plan*
10.3	Eickhoff, Pieper & Willoughby Stock Option Plan*
10.4	Modification Agreement*
10.5	Property Management Agreement between Imaginative Investments, Inc. and the Southeast Companies of Tampa Bay, Inc.*
10.6	Employment Agreement of Charles O. Lowe*
10.7	Employment Agreement of Ward J. Curtis, Jr.*
10.8	Employment Agreement of Harold J. Winner*
10.9	Employment Agreement of John H. Pieper**
10.10	Employment Agreement of Neil W. Savage*
10.11	Employment Agreement of William A. Eickhoff*
10.12	Salary Continuation Agreement of Harold J. Winner*
10.13	Salary Continuation Agreement of Neil W. Savage*
10.14	Agreement between Willow Green Partnership, LTD and Irwin Contracting relating to foreclosed property acquired by United Bank**
10.15	Pinellas Bancshares Corporation 8% Convertible Debentures held by Eickhoff & Pieper, a Florida General Partnership*

10.16 Loan Agreement between AmSouth f/k/a AmSouth Bank of Florida and UFH f/k/a Pinellas Bancshares Corporation*

21 List of Subsidiaries

*This information is incorporated herein by reference to the Company's Amendment No. 2 to Registration Statement on Form SB-2 (File No. 333-60431) previously filed with the Commission on October 7, 1998.
**This information is incorporated herein by reference to the Company's Form 10KSB filed on March 31, 1999.

(b) Reports on Form 8-K

One Form 8-K was filed on April 30, 2001, announcing the completion of the Stock Purchase Agreement and Amendments dated September 22, 2000, pursuant to which the company acquired all outstanding shares of Common Stock of First Security Bank. The transaction was completed on April 6, 2001, with an effective date of April 1, 2001.

One Form 8-K was filed on December 3, 2001, announcing that the Board of Directors of the Company had authorized the repurchase of up to 300,000 shares of its Common Stock.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED FINANCIAL HOLDINGS, INC.

Date: February 26, 2002

By: /s/ Neil W. Savage
Neil W. Savage
President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John B. Norrie John B. Norrie	Chairman of the Board	February 26, 2002
/s/ Neil W. Savage Neil W. Savage	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2002
/s/ Robert J. Banks Robert J. Banks	Director	February 26, 2002
/s/ Ronald E. Clampitt Ronald E. Clampitt	Director	February 26, 2002
/s/ Ward J. Curtis Ward J. Curtis	Director	February 26, 2002
/s/ David K. Davis David K. Davis	Director	February 26, 2002
/s/ William A. Eickhoff William A. Eickhoff	Director	February 26, 2002
/s/ Edward D. Foreman Edward D. Foreman	Director	February 26, 2002
/s/ Ian F. Irwin Ian F. Irwin	Director	February 26, 2002
/s/ Charles O. Lowe Charles O. Lowe	Director	February 26, 2002

/s/ Jack A. MaCris, M.D. Jack A. MaCris, M.D.	Director	February 26, 2002
/s/ William B. McQueen William B. McQueen	Director	February 26, 2002
/s/ Ronald R. Petrini Ronald R. Petrini	Director	February 26, 2002
/s/ John B. Wier, Jr. John B. Wier, Jr.	Director	February 26, 2002
/s/ Harold J. Winner Harold J. Winner	Director	February 26, 2002
/s/ C. Peter Bardin C. Peter Bardin	Chief Financial Officer (Principal Financial Officer)	February 26, 2002

Exhibit 21

LIST OF SUBSIDIARES OF
UNITED FINANCIAL HOLDINGS, INC.

EPW Investment Management, Inc.
Giants Property, Inc. (Subsidiary of United Bank and Trust Company)
Imaginative Investments, Inc. (Subsidiary of United Bank and Trust Company)
UFH Capital Trust I
UFH Statutory Trust II
UFMB Corp.
United Bank and Trust Company
United Bank of the Gulf Coast
United Trust Company
W.L. Properties, Inc. (Subsidiary of United Bank and Trust Company)

United Financial Holdings, Inc.

And Subsidiaries

December 31, 2001, 2000 and 1999

United Financial Holdings, Inc.
INDEX TO FINANCIAL STATEMENTS

Accountants and
Management Consultants

The US Member Firm of
Grant Thornton International

Grant Thornton

GRANT THORNTON LLP

Report of Independent Certified Public Accountants

Board of Directors
United Financial Holdings, Inc.
St. Petersburg, Florida

We have audited the consolidated balance sheets of United Financial Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits of the consolidated financial statements referred to above, were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheet as of December 31, 2000 and the consolidating statement of earnings for the year ended December 31, 2000, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the audit procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Financial Holdings, Inc. and Subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Tampa, Florida
January 26, 2001

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United Financial Holdings, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31,	
ASSETS	2001	2000
Cash and due from banks	$ 17,555,881	$ 9,420,453
Federal funds sold	12,670,678	4,961,000
Securities held to maturity	19,643,175	16,035,904
Securities available for sale, at market	26,819,820	11,296,338
Loans, net	242,364,548	182,027,520
Premises and equipment, net	11,732,038	10,137,624
Federal Home Loan Bank stock	506,600	506,600
Federal Reserve Bank stock	226,300	226,300
Accrued interest receivable	1,465,608	1,458,482
Intangible assets, less accumulated amortization of $2,005,718 and $1,843,665, respectively	2,947,761	1,960,244
Other real estate owned	141,365	175,000
Other assets	8,118,050	5,255,348
Total assets	$344,191,824	$243,460,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand	$ 55,994,493	$ 37,050,971
NOW and money market	93,690,220	78,887,097
Savings	6,316,428	4,572,993
Time, $100,000 and over	50,071,976	28,013,356
Other time	76,495,330	53,627,545
Total deposits	282,568,447	202,151,962
Securities sold under agreements to repurchase	15,522,785	10,162,858
Accrued interest payable	641,991	568,491
Convertible subordinated debentures	-	630,000
Other liabilities	2,810,416	3,661,819
Total liabilities	301,543,639	217,175,130
Company-obligated Mandatory Redeemable Capital Securities of Subsidiary Trusts	16,749,600	6,749,600
STOCKHOLDERS' EQUITY		
Series one convertible preferred stock, 750,000 shares authorized; 384,394 and 0 shares issued and outstanding at December 31, 2001 and 2000, respectively	3,075,152	-
7% convertible preferred stock, $10 par value; 150,000 shares authorized; 6,667 shares issued and outstanding at December 31, 2001 and 2000	66,670	66,670
Common stock, $.01 par value; 20,000,000 shares authorized; 4,440,421 and 4,255,869 shares issued and outstanding at December 31, 2001 and 2000, respectively	44,652	42,727
Paid-in capital	10,982,678	10,051,755
Treasury shares; 24,793 and 16,831 at December 31, 2001 and 2000, respectively	(176,685)	(116,446)
Accumulated other comprehensive income	157,519	(32,047)
Retained earnings	11,748,599	9,523,424
Total stockholders' equity	25,898,585	19,536,083
Total liabilities and stockholders' equity	$344,191,824	$243,460,813

The accompanying notes are an integral part of these statements.

United Financial Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS

	For the Years Ended December 31,		
	2001	2000	1999
Interest income			
Loans and loan fees	$19,563,472	$17,030,353	$12,783,696
Securities			
U.S. Treasury	197,978	264,542	391,772
Obligations of other U.S. Government agencies and corporations	930,409	918,183	782,669
Obligations of states and political subdivisions	221,991	208,634	203,298
Other	618,637	263,470	279,342
Federal funds sold and securities purchased under reverse repurchase agreements	738,655	451,524	269,736
Total interest income	22,271,142	19,136,706	14,710,513
Interest expense			
NOW and money market	2,388,828	2,413,320	1,627,761
Savings	95,751	101,889	107,028
Time deposits, $100,000 and over	2,250,485	1,338,376	699,673
Other time	3,760,946	2,978,835	2,528,119
Short and long-term debt	30,915	50,400	50,400
Subordinated debentures issued to subsidiary trust	656,240	634,462	632,700
Federal funds purchased and securities sold under agreements to repurchase	415,516	422,226	193,548
Total interest expense	9,598,681	7,939,508	5,839,229
Net interest income	12,672,461	11,197,198	8,871,284
Provision for loan losses	907,000	650,000	785,000
Net interest income after provision for loan losses	11,765,461	10,547,198	8,086,284
Other income			
Service charges on deposit accounts	1,316,708	1,014,543	797,181
Trust and investment management income	3,117,348	3,171,996	3,175,514
Net trading account profit (loss)	-	(6,472)	41,808
Gain on sales of loans	655,984	285,622	442,227
Loan servicing fees	219,267	210,351	165,897
Income on cash value life insurance	147,962	141,057	135,354
All other fees and income	447,782	266,980	362,862
Total other income	5,905,051	5,084,077	5,120,843

(continued)

United Financial Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS - CONTINUED

	For the Years Ended December 31,		
	2001	2000	1999
Other expense			
Salaries and employee benefits	$ 7,371,158	$ 6,501,202	$ 5,361,048
Occupancy expense	948,364	514,514	520,406
Furniture and equipment expense	780,344	603,789	606,453
Data processing expense	808,975	586,781	487,317
Consulting fees	32,405	151,460	274,733
Legal and professional fees	164,109	207,921	174,811
Amortization of intangible assets	162,053	118,271	85,115
Marketing and business development	433,802	366,703	352,055
Directors fees	206,900	242,950	191,350
Telephone expense	197,453	188,683	184,999
Stationery, printing and supplies	205,495	180,874	176,706
Postage expense	119,133	108,199	111,965
Other operating expenses	1,170,748	1,073,026	1,025,091
	12,600,939	10,844,373	9,552,049
Earnings before income taxes	5,069,573	4,786,902	3,655,078
Income tax expense (benefit)			
Current	2,160,287	1,976,660	1,559,391
Deferred	(316,444)	(243,276)	(237,206)
	1,843,843	1,733,384	1,322,185
NET EARNINGS	$ 3,225,730	$ 3,053,518	$ 2,332,893
Earnings Per Share:			
Basic	$ .71	$ .72	$ .56
Diluted	$ .70	$ .69	$ .54

The accompanying notes are an integral part of these statements.

United Financial Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2001	2000	1999
Net earnings	$3,225,730	$3,053,518	$2,332,893
Other comprehensive income			
Unrealized holding gains (losses)	287,222	303,508	(566,174)
Income tax (expense) benefit related to items of other comprehensive income	(97,656)	(103,193)	192,499
Comprehensive income	$3,415,296	$3,253,833	$1,959,218

The accompanying notes are an integral part of these statements.

United Financial Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Series One Convertible Preferred Stock	7% Convertible Preferred Stock	Common Stock	Paid-In Capital	Treasury Shares	Stock Subscription Receivable	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 1998	$ -	$ 208,500	$40,455	$ 9,192,103	$ -	$(393,260)	$ 141,313	$ 5,581,995	$14,771,106
Net Earnings	-	-	-	-	-	-	-	2,332,893	2,332,893
Conversion of 7% Preferred to Common Stock	-	(108,500)	916	107,580	-	-	-	-	(4)
Dividends on Common Stock	-	-	-	-	-	-	-	(663,907)	(663,907)
Dividends on Preferred Stock	-	-	-	-	-	-	-	(10,798)	(10,798)
Accumulated other comprehensive income	-	-	-	-	-	-	(373,675)	-	(373,675)
Issuance of Common Stock in IPO	-	-	-	(25,565)	-	393,260	-		367,695
Performance shares issued	-	-	557	398,516	-	-	-	-	399,073
Balance at December 31, 1999	-	100,000	41,928	9,672,634	-	-	(232,362)	7,240,183	16,822,383
Net Earnings	-	-	-	-	-	-	-	3,053,518	3,053,518
Conversion of 7% Preferred to Common Stock	-	(33,330)	281	33,047	-	-	-	-	(2)
Dividends on Common Stock	-	-	-	-	-	-	-	(763,277)	(763,277)
Dividends on Preferred Stock	-	-	-	-	-	-	-	(7,000)	(7,000)
Accumulated other comprehensive income	-	-	-	-	-	-	200,315	-	200,315
Purchase of Treasury Shares	-	-	-	-	(116,446)	-	-	-	(116,446)
Performance shares issued	-	-	518	346,074	-	-	-	-	346,592
Balance at December 31, 2000	-	66,670	42,727	10,051,755	(116,446)	-	(32,047)	9,523,424	19,536,083
Net Earnings	-	-	-	-	-	-	-	3,225,730	3,225,730
Conversion of Debentures	-	-	1,528	628,448	-	-	-	-	629,976
Dividends on Common Stock	-	-	-	-	-	-	-	(932,488)	(932,488)
Dividends on Preferred Stock	-	-	-	-	-	-	-	(68,067)	(68,067)
Accumulated other comprehensive income	-	-	-	-	-	-	189,566	-	189,566
Purchase of Treasury Shares	-	-	-	-	(60,239)	-	-	-	(60,239)
Performance shares issued	-	-	397	302,475	-	-	-	-	302,872
Series One Convertible Preferred stock issued	3,075,152	-	-	-	-	-	-	-	3,075,152
Balance at December 31, 2001	$3,075,152	$ 66,670	$44,652	$10,982,678	$(176,685)	$ -	$157,519	$11,748,599	$25,898,585

The accompanying notes are an integral part of this statement.

United Financial Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net earnings	$ 3,225,730	$ 3,053,518	$ 2,332,893
Adjustments to reconcile net earnings to net cash provided by operating activities			
Provision for loan losses	907,000	650,000	785,000
Provision for depreciation and amortization	984,708	781,551	787,996
Gain on trading securities	-	-	(41,808)
Accretion of securities discount	(61,897)	(15,045)	(22,123)
Amortization of unearned loan fees	(245,466)	(292,937)	(121,730)
Amortization of securities premiums	59,088	11,938	18,251
Gain on sales of loans	(1,024,843)	(432,448)	(774,100)
Decrease (increase) in accrued interest receivable	146,170	(268,282)	(194,742)
Increase in interest payable	15,076	120,112	56,610
Decrease (increase) in other assets	(1,940,260)	973,058	(1,592,850)
Decrease in other liabilities	(1,098,030)	1,235,959	241,527
Net cash provided by operating activities	967,276	5,817,424	1,474,924
Cash flows from investing activities:			
Acquisition of First Security Bank, net of cash acquired	(1,752,373)	-	-
Purchase of Federal Reserve Bank stock and FHLB stock	-	(22,500)	(118,100)
Net decrease (increase) in Federal funds sold	1,164,804	(2,044,000)	1,094,000
Principal repayments of held to maturity securities	1,698,496	476,304	2,422,366
Principal repayments of available for sale securities	3,236,679	820,849	403,391
Proceeds from sale of trading securities	-	75,108	-
Proceeds from maturities of available for sale securities	5,133,835	1,500,000	1,500,778
Proceeds from maturities of held to maturity securities	8,285,701	1,420,000	2,732,843
Purchases of available for sale securities	(13,542,960)	(3,177,376)	(4,895,000)
Purchases of held to maturity securities	(19,765,317)	(3,697,609)	(1,148,000)
Proceeds from sales of loans	11,580,033	5,547,639	8,890,919
Net increase in loans	(56,623,435)	(34,002,367)	(45,731,646)
Capital expenditures	(2,103,739)	(1,182,367)	(1,048,670)
Net cash used in investing activities	(62,688,276)	(34,286,319)	(35,897,119)

(continued)

	For the Years Ended December 31,		
	2001	2000	1999
Cash flows from financing activities:			
Net increase in demand deposits, NOW accounts, money market accounts and savings accounts	$ 24,631,688	$ 14,788,311	$ 24,744,269
Net increase in certificates of deposit	30,925,609	12,265,610	11,258,267
Net increase (decrease) in securities sold under agreements to repurchase	5,359,925	2,855,814	(1,488,671)
Repayment of long-term debt	-	-	(33,750)
Issuance of Company-obligated mandatory redeemable capital securities of subsidiary trust holding solely subordinated debentures of the Company	10,000,000	-	749,600
Issuance of common stock	-	-	766,764
Dividend paid on preferred stock	(68,067)	(7,000)	(10,798)
Dividend paid on common stock	(932,488)	(763,277)	(663,907)
Purchase of Treasury Shares	(60,239)	(116,446)	-
Net cash provided by financing activities	69,856,428	29,023,012	35,321,774
Net increase in cash and cash equivalents	8,135,428	554,117	899,579
Cash and cash equivalents at beginning of year	9,420,453	8,866,336	7,966,757
Cash and cash equivalents at end of year	$ 17,555,881	$ 9,420,453	$ 8,866,336
Cash paid during the year for:			
Interest	$ 9,582,975	$ 7,819,396	$ 5,782,619
Income taxes	$ 1,860,401	$ 2,287,567	$ 1,288,470

Supplemental Disclosure of Non-Cash Activity

Reclassification of loans to foreclosed real estate	$ -	$ 100,000	$ 1,038,266
Non-cash common stock issued	$ 932,848	$ 346,592	$ 399,073

Other Information

On April 1, 2001, the Company completed the acquisition of First Security Bank for a cash payment of approximately $2,147,000, acquisition cost of approximately $65,000, and 402,473 shares of Series One Preferred Stock, valued at approximately $3,220,000. The Company acquired net assets of approximately $4,374,000 and goodwill of approximately $1,058,000. Subsequent to April 1, 2001, the Company made non-cash adjustments to goodwill of approximately $145,000, including the return of 18,079 shares of Series One Preferred Stock.

The accompanying notes are an integral part of these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Financial Holdings, Inc. (the "Company") is a registered bank holding company formed in 1982, the principal subsidiary of which is United Bank & Trust Company ("Bank"), a Florida-chartered commercial bank headquartered in St. Petersburg, Florida. The Bank was founded in 1979 and is a community-oriented, full service commercial bank with six branch offices serving the southern Pinellas County area of the State of Florida.

The Company's other operating subsidiaries are EPW Investment Management, Inc., an investment advisory firm registered under the Investment Advisers Act of 1940 ("EPW") headquartered in Tampa, Florida with an office in Jacksonville, Florida; United Trust Company, a Florida-chartered trust company ("Trust") located in St. Petersburg, Florida; and United Bank of the Gulf Coast (the "UBGC", formerly known as First Security Bank), a Florida-chartered commercial bank with one office located in Sarasota, Florida. The Sarasota bank was started by a group of local investors in February 1999 and acquired by the Company on April 1, 2001. EPW offers investment management services to corporate, municipal and high net worth individual clients throughout the State of Florida. United Trust is a wholesale provider of data processing, administrative and accounting support and asset custody services to professionals holding assets in trust (primarily legal and accounting firms). In addition, United Trust also provides retail trust and investment management services to individual and corporate clients.

Following is a summary of the significant accounting policies that have been consistently applied in the preparation of the consolidated financial statements of United Financial Holdings, Inc. and Subsidiaries.

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its Subsidiaries, the Bank, EPW, Trust, UFH Capital Trust I (UFHCT), UBGC, UFMB Corp. (UFMB) and UF Statutory Trust II (UFHST II), after all significant intercompany accounts and transactions have been eliminated.

2. Cash and Cash Equivalents

For the purpose of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents includes cash on hand and non-interest bearing amounts due from correspondent banks.

3. Use of Estimates in Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Securities

The Company's investment securities are classified in the following categories and accounted for as follows:

- *Trading Securities*. Government and corporate bonds and corporate securities held principally for resale in the near term are classified as trading securities and recorded at their fair values. There are no trading securities at December 31, 2001 and 2000.

- *Securities Held to Maturity.* Bonds, notes and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity. Such securities may be sold or transferred to the available for sale or trading securities classification only as a result of isolated, non-recurring, or unusual changes in circumstances which the Company could not have reasonably anticipated, such as a change in statutory or regulatory requirements regarding investment limitations or a significant deterioration in a security issuer's credit-worthiness.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- *Securities Available for Sale.* Securities available for sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities nor as securities held to maturity, which may be sold prior to maturity as part of asset/liability management or in response to other factors, and are carried at fair value with any valuation adjustment reported within accumulated other comprehensive income, a separate component of stockholders' equity, net of the tax effect.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary are recognized as write downs of the individual securities to their fair value. Such write-downs are included in earnings as realized losses. There were no such write-downs during 2001, 2000 and 1999.

Gains and losses on the sale of securities available for sale are determined using the specific-identification method.

5. <u>Loans and Allowance for Loan Losses</u>

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance. These receivables are adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and un-amortized premiums or discounts on purchased loans.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment to the related loan's yield, generally over the contractual life of the loan.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

6. <u>Accounting for Impairment of Loans</u>

The Company's measurement of impaired loans includes those loans that are non-performing and have been placed on non-accrual status and those loans that are performing according to all contractual terms of the loan agreement but may have substantive indication of potential credit weakness.

Residential mortgages and consumer loans and leases outside the scope of SFAS No. 114 are collectively evaluated for impairment.

7. <u>Premises and Equipment</u>

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. Other Real Estate Owned (ORE)

Other real estate owned is initially recorded at fair value at the date of foreclosure, less estimated selling costs. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed.

Valuations are periodically performed by management, or obtained from independent appraisers, and an allowance for loss is established by a charge to operations if the value of the property declines below its original estimated fair value.

If a sale of real estate owned results in a gain, the gain is accounted for in accordance with FASB Statement No. 66, *Accounting for Sales of Real Estate*. Accordingly, gains may be deferred or recognized currently depending on the terms of the sale. Losses are charged to operations as incurred.

9. Intangible Assets

Intangible assets include the remaining excess of cost over net tangible assets acquired. These assets are being amortized on a straight-line basis over their estimated lives of 20-40 years.

10. Accounting for Impairment of Long-Lived Assets

The Company periodically reviews its long-lived assets for impairment. Impairment losses on long-lived assets are recognized when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The Company did not record any impairment losses during the years ended December 31, 2001, 2000 and 1999.

11. Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the consolidated financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in net deferred assets and liabilities.

12. Stock Based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. The Company follows the disclosure option of SFAS No. 123, *Accounting for Stock-Based Compensation*, which requires that companies not electing to account for stock-based compensation as prescribed by the statement disclose the pro forma effects on earnings and earnings per share as if SFAS No. 123 had been adopted. Additionally, certain other disclosures are required with respect to stock compensation and the assumptions used to determine the pro forma effects of SFAS No. 123.

13. Loan Fees

Net loan fees and processing costs are deferred and amortized over the lives of the loans using the interest method of amortization.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Earnings per Share

The Company follows the standards of SFAS No. 128, *Earnings Per Share*. SFAS No. 128 requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation.

15. Reclassifications

Certain reclassifications have been made to the December 31, 2000 and 1999 balances to conform to the December 31, 2001 presentation.

16. Recently Issued Accounting Pronouncements

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, *Business Combinations*, and SFAS 142, *Goodwill and Intangible Assets*. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these statements are as follows:

- All business combinations consummated after June 30, 2001 must use the purchase method of accounting.
- Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, rented, etc.
- Goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001 will not be amortized. Effective January 1, 2002, all previously recognized goodwill or intangible assets with indefinite lives would no longer be subject to amortization.
- Effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.
- All acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

The Company does not expect SFAS 141 and 142 to have a material impact on the Company's statement of earnings or balance sheet.

In July 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset, except for certain obligations of lessees. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not expect SFAS 143 to have a material impact on the Company's statement of operations or balance sheet.

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FASB 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. The provisions of the statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company does not expect SFAS 144 to have a material impact on the Company's statement of earnings or balance sheet.

NOTE B – ACQUISITIONS

On September 30, 1995, the Company purchased 100% of the stock of Fiduciary Services Corp. ("FSC") for $450,000, issuing 150,000 shares at $3.00 per share of common stock of the Company plus a contingent payment of performance shares based upon net earnings of the trust department through 2001. The acquisition of FSC was accounted for as a purchase. The purchase price was allocated to net tangible assets acquired based upon their estimated fair market values. The performance shares are recorded as additional purchase price.

On January 31, 1996, the Company completed the acquisition of EPW, an independent investment management firm. The acquisition was facilitated by the issuance of $630,000 of 8% convertible subordinated debentures, plus a contingent payment of performance shares based upon net earnings of EPW through 2001. All indebtedness was fully converted into common stock on January 15, 2001. The performance shares were recorded as compensation.

On April 1, 2001, the Company completed the acquisition of UBGC for a cash payment of approximately $2,147,000, acquisition costs of approximately $65,000, and 384,394 shares of Series One Preferred Stock valued at approximately $3,075,152. The Company acquired net assets of approximately $4,374,000 and recorded goodwill of approximately $1,058,000. Pro forma information is not presented for UBGC due to its immateriality.

The shares of the Series One Preferred Stock are convertible into Common Stock at $8.00 per share. The Company may redeem, in whole or in part, the shares after 2007 based upon a defined formula. The shares are required to be redeemed by the Company upon UBGC achieving certain net interest income targets as specified in the acquisition agreement. As of December 31, 2001, UBGC had not achieved the above targets and, accordingly, the shares were excluded from the calculation of diluted earnings per share (see Note T). In conjunction with the above acquisition, the Company authorized the issuance of 750,000 shares of $.01 par value Series One Preferred Stock.

NOTE C – INITIAL PUBLIC OFFERING

On December 16, 1998, the Company completed an Initial Public Offering (IPO) in which it issued 507,705 shares of common stock at a price of $7.25 per share. The common stock trades on the NASDAQ Small Cap Market under the symbol "UFHI". Concurrent with the common stock offering, the Company issued through UFH Capital Trust I, 1,349,920 shares of $5.00 par value Trust Preferred securities with a coupon rate of 9.40%. The Trust Preferred securities trade on the NASDAQ Small Cap Market under the symbol "UFHIP". Proceeds from the offering totaled $9,554,011 net of underwriting fees and Trust Preferred costs of $876,450.

NOTE D – TRUST PREFERRED STOCK

UFH Capital Trust I

On December 16, 1998, UFHCT, a Delaware statutory business trust created by the Company, issued $6,749,600 (including an over allotment of $749,600 that closed on January 14, 1999) of 9.40% Cumulative Trust Preferred Securities ("Securities") which will mature on December 10, 2028, subject to earlier redemption in certain circumstances. The principal asset of UFHCT is a $6,959,200 subordinated debenture of the Company. The subordinated debenture bears interest at the rate of 9.40% and matures December 16, 2028, subject to earlier redemption in certain circumstances. The Company owns all of the common securities of UFHCT.

The Securities, the assets of UFHCT, and the common securities issued by UFHCT, are redeemable by the Company, in whole or in part on or after December 10, 2003 or at any time, in whole (but not in part) within 180 days following the occurrence of certain events. The Securities are included in Tier I Capital for regulatory purposes, subject to certain limitations.

The obligations of the Company with respect to the issuance of the Securities constitute a full and unconditional guarantee by the Company of UFHCT's obligation with respect to the Securities.

NOTE D – TRUST PREFERRED STOCK – Continued

Subject to certain exceptions and limitations, the Company may, from time to time, defer subordinated debenture interest payments, which would result in a deferral of distribution payments on the related securities and, with certain exceptions, prevent the Company from declaring and paying cash distributions on the Company's common stock or debt securities that rank pari passu or junior to the subordinated debentures.

UFH Statutory Trust II

On December 18, 2001, UFHST II, a Connecticut statutory business trust created by the Company, issued $10,000,000 of Cumulative Trust Preferred Securities ("Securities") with a floating rate of 3 month LIBOR, plus 360 basis points (initial quarterly interest rate of 5.60%), which will mature on December 18, 2031, subject to earlier redemption in certain circumstances. The principal asset of UFHST II is a $10,310,000 subordinated debenture of the Company. The subordinated debenture bears an interest rate that floats quarterly, at a rate of 3 month LIBOR plus 360 basis points, and matures December 23, 2031, subject to earlier redemption in certain circumstances. The Company owns all of the common securities of UFHST II.

The Securities, the assets of UFHST II, and the common securities issued by UFHST II, are redeemable by the Company, in whole or in part on or after December 18, 2006 or at any time, in whole (but not in part) within 180 days following the occurrence of certain events. The Securities are included in Tier I Capital for regulatory purposes, subject to certain limitations.

The obligations of the Company with respect to the issuance of the Securities constitute a full and unconditional guarantee by the Company of UFHST II's obligation with respect to the Securities.

Subject to certain exceptions and limitations, the Company may, from time to time, defer subordinated debenture interest payments, which would result in a deferral of distribution payments on the related securities and, with certain exceptions, prevent the Company from declaring and paying cash distributions on the Company's common stock or debt securities that rank pari passu or junior to the subordinated debentures.

NOTE E – BUSINESS SEGMENT INFORMATION

United Financial has three reportable segments: Commercial Banking, Trust Services, and Investment Management Services. Corporate and Other includes corporate expenses such as corporate overhead, intercompany transactions, and certain goodwill amortization. The accounting policies of the reportable segments are the same as those described in Note A.

NOTE E – BUSINESS SEGMENT INFORMATION – Continued

The following table presents the Company's Business Segment Information for the years ended December 31, 2001, 2000 and 1999, respectively:

	Commercial Banking	Investment Management	Trust Services	Corporate & Overhead	Total
2001					
Interest income	$ 22,178,692	$ -	$ 197,093	$ (104,643)	$ 22,271,142
Interest expense	9,024,285	-	-	574,396	9,598,681
Net interest income	13,154,407	-	197,093	(679,040)	12,672,461
Other income	3,021,479	1,577,843	1,587,505	(281,775)	5,905,051
Total income	16,175,886	1,577,843	1,784,598	(960,815)	18,577,512
Loan loss provision	907,000	-	-	-	907,000
Non interest expense	9,617,666	1,306,185	1,623,218	53,870	12,600,939
Pre-tax income	5,651,220	271,658	161,380	(1,014,685)	5,069,573
Income taxes (benefit)	2,078,223	103,116	98,099	(435,595)	1,843,843
Segment net earnings	$ 3,572,996	$ 168,542	$ 63,281	$ (579,090)	$ 3,225,730
Total assets	$330,169,263	$ 293,097	$4,463,507	$ 9,265,957	$344,191,824
Capital expenditures	$ 2,037,783	$ 33,108	$ 32,848	$ -	$ 2,103,739
2000					
Interest income	$ 19,033,678	$ -	$ 244,035	$ (141,007)	$ 19,136,706
Interest expense	7,437,915	-	-	501,593	7,939,508
Net interest income	11,595,763	-	244,035	(642,600)	11,197,198
Other income	2,024,007	1,700,927	1,519,069	(159,926)	5,084,077
Total income	13,619,770	1,700,927	1,763,104	(802,526)	16,281,275
Loan loss provision	650,000	-	-	-	650,000
Non interest expense	7,584,527	1,845,550	1,287,234	127,062	10,844,373
Pre-tax income	5,385,243	(144,623)	475,870	(929,588)	4,786,902
Income taxes (benefit)	1,913,021	(53,655)	212,146	(338,128)	1,733,384
Segment net earnings	$ 3,472,222	$ (90,968)	$ 263,724	$ (591,460)	$ 3,053,518
Total assets	$237,554,967	$ 601,844	$3,369,367	$1,934,635	$243,460,813
Capital expenditures	$ 1,003,242	$ 26,115	$ 153,010	$ -	$ 1,182,367
1999					
Interest income	$ 14,579,861	$ -	$ 196,196	$ (65,544)	$ 14,710,513
Interest expense	5,263,836	-	-	575,393	5,839,229
Net interest income	9,316,025	-	196,196	(640,937)	8,871,284
Other income	2,000,774	1,593,054	1,630,459	(103,444)	5,120,843
Total income	11,316,799	1,593,054	1,826,655	(744,381)	13,992,127
Loan loss provision	785,000	-	-	-	785,000
Non interest expense	6,774,763	1,588,305	1,147,680	41,301	9,552,049
Pre-tax income	3,757,036	4,749	678,975	(785,682)	3,655,078
Income taxes (benefit)	1,328,800	(13,235)	274,944	(268,324)	1,322,185
Segment net earnings	$ 2,428,236	$ 17,984	$ 404,031	$ (517,358)	$ 2,332,893
Total assets	$205,178,434	$ 462,832	$3,422,100	$ 417,942	$209,481,308
Capital expenditures	$ 973,121	$ 35,457	$ 45,927	$ -	$ 1,054,505

NOTE F – UNITED FINANCIAL HOLDINGS, INC. (Parent Only) CONDENSED FINANCIAL INFORMATION

The Bank, UBGC, EPW, Trust, UFMB, UFHCT and UFHST II are wholly owned subsidiaries of United Financial Holdings, Inc. The majority of the Company's assets are represented by its investment in the Banks and its primary source of income is dividends from the Bank and Trust.

During 1989, the Company authorized the issuance of 150,000 shares of $10 par value cumulative, convertible, 7% preferred stock. The shares are convertible into common shares at $1.19 per share.

Following is condensed financial information of the Company.

	December 31,		
	2001	2000	1999
Balance Sheets			
Cash and cash equivalents	$ 119,123	$ 2,017,268	$ 2,975,207
Short term investments	6,750,000	-	-
Advance to United Trust Co.	700,000	-	-
Trading securities	-	-	81,600
Equity securities	-	1,665,061	773,000
Note receivable	-	500,000	500,000
Due from subsidiaries	793,835	258,628	499,183
Investment in Bank	21,681,746	18,861,637	15,872,307
Investment in UBGC	6,034,510	-	-
Investment in EPW	181,833	63,291	154,259
Investment in United Trust	3,727,153	3,338,742	3,399,823
Investment in UF Statutory Trust II	310,000	-	-
Investment in UFH Cap Trust I	209,600	209,600	209,600
Investment in UFMB Corp.	2,932,215	-	-
Intangible assets	436,958	467,984	499,011
Other assets	332,432	62,709	38,431
	$44,209,405	$27,444,920	$25,002,421
Convertible subordinated debentures	$ -	$ 630,000	$ 630,000
Junior subordinated debentures issued to UFH Cap Trust I	6,959,200	6,959,200	6,959,200
Junior subordinated debentures to UFH Statutory Trust II	10,310,000	-	-
Other liabilities	1,041,620	319,637	590,838
Stockholders' equity	25,898,585	19,536,083	16,822,383
	$44,209,405	$27,444,920	$25,002,421

NOTE F – UNITED FINANCIAL HOLDINGS, INC. (Parent Only) CONDENSED FINANCIAL INFORMATION – Continued

	December 31,		
	2001	2000	1999
Statements of Earnings			
Equity in earnings of Bank	$ 3,908,124	$ 3,472,222	$ 2,428,237
Equity in (loss) of UBGC	(335,128)	-	-
Equity in earnings (loss) of EPW	168,542	(90,968)	17,985
Equity in earnings of United Trust	63,281	263,724	404,031
Equity in (loss) of UFMB Corp.	(61)	-	-
Gain (loss) on trading account	-	(6,492)	41,808
Other income	8,213	42,339	64,308
Interest expense	(687,155)	(684,864)	(702,748)
Other expense	(335,647)	(280,571)	(189,052)
Earnings before income taxes	2,790,169	2,715,390	2,064,569
Income tax benefit	435,561	338,128	268,324
Net earnings	$ 3,225,730	$ 3,053,518	$ 2,332,893

NOTE G – SECURITIES

At December 31, 2001 and 2000, the carrying value and estimated market value of investments in debt and equity securities were as follows:

	Carrying Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2001				
Securities held to maturity:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 5,912,802	$138,603	$22,241	$ 6,029,164
Obligations of State and political subdivisions	1,454,351	19,947	7,926	1,466,372
Mortgage-backed securities	12,176,022	182,123	46,408	12,311,737
Other	100,000	-	-	100,000
Total	$19,643,175	$340,673	$76,575	$19,907,273

NOTE G – SECURITIES – Continued

	Historical Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value (Market Value)
Securities available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 2,964,713	$ 59,225	$ 7,545	$ 3,016,393
Obligations of State and political Subdivisions	1,682,054	46,410	-	1,728,464
Mortgage-backed securities	12,183,844	155,876	37,760	12,301,960
Equity securities	1,998,329	-	-	1,998,329
Corporate Obligations	999,640	25,035	-	1,024,675
Other short-term investments	6,750,000	-	-	6,750,000
Total	$26,578,580	$286,546	$45,305	$26,819,821

	Carrying Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
December 31, 2000				
Securities held to maturity:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$10,798,927	$103,311	$ 46,545	$10,855,693
Obligations of State and political subdivisions	1,672,400	11,580	11,509	1,672,471
Mortgage-backed securities	3,464,577	4,098	18,860	3,449,815
Other	100,000	-	-	100,000
Total	$16,035,904	$118,989	$ 76,914	$16,077,979

NOTE G – SECURITIES – Continued

	Historical Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value (Market Value)
Securities available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,026,257	$ 43,618	$ 6,215	$ 4,063,660
Obligations of State and political subdivisions	2,015,155	-	23,208	1,991,947
Mortgage-backed securities	2,488,828	19,349	222	2,507,955
Equity securities	2,814,651	-	81,875	2,732,776
Total	$11,344,891	$ 62,967	$111,520	$11,296,338

There were no proceeds from sales of investments in debt securities for the years ended December 31, 2001 and 2000.

The amortized cost and estimated market value of debt securities at December 31, 2001 by contractual maturity are shown below. Actual maturities may differ from contractual maturities due to borrowers having the right to call or prepay obligations with or without call or prepayment penalties.

	Securities held to maturity			Securities available for sale		
	Carrying Value (Amortized Cost)	Estimated Market Value	Average Yield	Historical Amortized Cost	Carrying Value (Market Value)	Average Yield
Due in one year or less	$1,100,135	$1,105,205	5.87%	$8,540,305	$8,548,281	2.60%
Due after one year through five years	2,748,570	2,857,080	6.12	2,861,101	2,958,786	6.75
Due after five years through ten years	2,100,000	2,144,970	6.57	495,000	512,464	9.50
Due after ten years	1,518,448	1,488,281	5.45	500,000	500,000	9.16
Mortgage-backed securities	12,176,022	12,311,737	5.92	12,183,844	12,301,961	5.75

NOTE G – SECURITIES – Continued

	Securities held to maturity			Securities available for sale		
	Carrying Value (Amortized Cost)	Estimated Market Value	Average Yield	Historical Amortized Cost	Carrying Value (Market Value)	Average Yield
Equity securities	-	-	-	1,998,329	1,998,329	-
Total	$19,643,175	$19,907,273		$26,578,579	$26,819,821	

Investment securities with a carrying value (which approximates market value) of approximately $15,387,000 and $13,418,000 at December 31, 2001 and 2000, respectively, were pledged to secure public funds and securities sold under agreements to repurchase.

NOTE H – LOANS

Major classifications of loans were as follows:

	December 31,	
	2001	2000
Real estate mortgage	$160,768,169	$116,808,030
Commercial	78,459,533	61,970,060
Installment and other	8,258,906	7,051,507
	247,486,607	185,829,597
Less: Allowance for loan losses	3,790,337	2,760,968
Unearned fees	1,331,723	1,041,109
Loans, net	$242,364,548	$182,027,520

Changes in the allowance for loan losses were as follows:

	For the Years Ended December 31,		
	2001	2000	1999
Balance at beginning of year	$2,760,968	$2,340,857	$1,983,753
Provision charged to operating expenses	907,000	650,000	785,000
Recoveries on loans previously charged off	83,899	84,525	32,596
Loans charged off	(217,929)	(314,414)	(460,492)
Allowance related to UBGC	256,399	-	-
Balance at end of year	$3,790,337	$2,760,968	$2,340,857

NOTE H – LOANS – Continued

Changes in unearned fees were as follows:

	For the Years Ended December 31,		
	2001	2000	1999
Balance at beginning of year	$1,041,109	$1,031,553	$ 627,993
Points deferred on loans	617,468	302,493	525,290
Points recognized in income	(326,854)	(292,937)	(121,730)
Balance at end of year	$1,331,723	$1,041,109	$1,031,553

Impaired loans were as follows:

	December 31,		
	2001	2000	1999
Balance at end of period	$2,562,716	$ 586,339	$2,325,172
Average balance during period	1,091,934	1,623,304	3,016,132
Total related allowance for losses	258,000	95,000	231,000
Interest income recognized on impaired loans	170,688	22,588	103,600

The only loans sold by the Bank during 2001, 2000 and 1999 were SBA loans. In accordance with SFAS No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, a servicing asset is recorded when the Bank sells the SBA loans and retains the servicing. The book value of such assets, which the Bank believes approximates the fair value of such assets at December 31, 2001, 2000 and 1999 was $528,000, $392,000, and $408,000, respectively. Amortization expense relating to such servicing assets of $70,000, $43,000, and $25,000 was recorded for 2001, 2000 and 1999, respectively. The Company periodically reviews prepayment and default assumptions to determine impairment. No valuation for impairment of these assets was deemed necessary for the periods presented.

NOTE I – PREMISES AND EQUIPMENT

Major classifications of premises and equipment are as follows:

	December 31,		
	2001	2000	Life
Land	$ 2,585,862	$ 1,688,779	-
Land improvements	64,746	64,746	-
Leasehold improvements	758,802	512,976	3-16
Building and building improvements	8,125,632	7,763,995	10-40
Furniture, fixtures and equipment	4,462,135	3,624,126	3-10
	15,997,177	13,654,622	
Less accumulated depreciation and amortization	4,265,139	3,516,998	
	$11,732,038	$10,137,624	

NOTE I – PREMISES AND EQUIPMENT – Continued

Depreciation of premises and equipment and amortization of leaseholds was $822,770, $663,279, and $704,823 for the years ended December 31, 2001, 2000 and 1999, respectively.

NOTE J – INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, consist of the following:

	December 31,	
	2001	2000
Deferred tax assets		
Allowance for loan losses	$1,239,000	$ 931,000
Deferred loan fees	413,000	320,000
Deferred compensation	240,000	188,000
Securities available for sale	-	18,000
Net operating loss carryforward (1)	690,000	-
Other	114,000	-
	2,696,000	1,457,000
Deferred tax liabilities		
Fixed assets	92,000	131,000
Other	15,000	-
Net deferred tax asset, included with other assets	$2,589,000	$1,326,000

(1) Relates to net operating losses of UBGC. The acquisitions resulted in ownership changes for purposes of Section 382 of the Internal Revenue Code of 1986, as amended. Consequently, the net operating loss carryforwards are subject to a yearly limitation on their utilization can only be applied against future income of the acquired subsidiary and begin to expire in 2018.

Management believes that it is more likely than not that the net deferred tax asset will be realized and, therefore, a valuation allowance has not been recorded against the deferred asset at December 31, 2001 and 2000.

NOTE J – INCOME TAXES – Continued

The Company's effective tax rate varies from the statutory rate of 34%. The reasons for this difference are as follows:

	For the Years Ended December 31,		
	2001	2000	1999
Computed "expected" tax provision	$1,724,000	$1,628,000	$1,243,000
Tax exempt interest income – securities	(19,000)	(20,000)	(23,000)
Tax exempt income – life insurance	(48,000)	(48,000)	(46,000)
Goodwill amortization	55,000	40,000	29,000
State taxes net of federal benefit	154,000	98,000	104,000
Other, net	(22,000)	35,000	15,000
Total	$1,844,000	$1,733,000	$1,322,000

NOTE K – DEPOSITS

At December 31, 2001, the scheduled maturities of time deposits are as follows:

2002	$107,104,903
2003	12,031,963
2004	2,493,462
2005	1,582,177
2006	3,354,801
	$126,567,306

NOTE L – SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company enters into retail repurchase agreements with certain of its customers. These agreements mature daily. All securities collateralizing these agreements were under the Company's control for each respective time period. Information concerning securities sold under agreements to repurchase is summarized as follows:

	Year Ended December 31,		
	2001	2000	1999
Average balance	$13,197,751	$11,223,767	$6,391,928
Average interest rate	3.27%	4.35%	3.52%
Maximum month-end balance	$19,985,129	$14,877,029	$7,307,044

The average rate was determined by dividing the total interest paid by the average outstanding borrowings.

NOTE L – SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE – Continued

Securities underlying the agreements are as follows:

	At December 31,	
	2001	2000
Carrying value	$15,387,143	$10,198,819
Estimated fair value	$15,547,218	$10,163,566

NOTE M – CONVERTIBLE SUBORDINATED DEBENTURES AND OTHER DEBT

Company debt consists of the following:

	December 31,	
	2001	2000
8% Convertible Subordinated Debentures issued in conjunction with the acquisition of EPW. The holder can convert to common stock at $4.12 per share at any time. Upon conversion, the common stock issued cannot be traded for a period of two years. Interest is payable semi-annually and the debentures mature January 31, 2006. The debentures are callable by the Company, in whole or part, as follows:		
	$ -	$630,000

Year	Price
2002	102%
2003	101%
2004	100%
2005 and thereafter	100%

In January 2001, the Company called the Convertible Subordinated Debentures. Upon receiving the call notice, the debenture holders elected to convert all the Debentures into common stock.

Line of Credit

The Company has a revolving line of credit for $5,000,000 with an unrelated bank. At December 31, 2001, no amount was outstanding under the facility.

NOTE N – REGULATORY MATTERS

The Company, Bank and UBGC are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and a regulatory framework for prompt corrective action, the Company and banking units must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Their capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require them to maintain minimum amounts and ratios (set forth in the table below) to total and Tier I capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes as of December 31, 2001, that they meet all capital adequacy requirements to which they are subject.

As of December 31, 2001 and 2000, the most recent notification from the Federal Reserve categorized them as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, they must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The actual capital amounts and ratios as of December 31, 2001 are as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2001						
Total Risk Based Capital (to risk weighted assets):						
United Financial Holding Company	$42,123	15.14%	$22,263	8.00%	$27,829	10.00%
United Bank & Trust	24,214	10.11%	19,165	8.00%	23,956	10.00%
United Bank of the Gulf Coast	4,767	15.40%	2,477	8.00%	3,096	10.00%

NOTE N – REGULATORY MATTERS – Continued

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier I Capital (to risk weighted assets):						
United Financial Holding Company	$30,679	11.02%	$11,132	4.00%	$16,697	6.00%
United Bank & Trust	21,213	8.85%	9,583	4.00%	14,374	6.00%
United Bank of the Gulf Coast	4,495	14.52%	1,238	4.00%	1,858	6.00%
Tier I Capital (to average assets):						
United Financial Holding Company	30,679	9.37%	13,099	4.00%	16,374	5.00%
United Bank & Trust	21,213	7.68%	11,051	4.00%	13,814	5.00%
United Bank of the Gulf Coast	4,495	9.87%	1,822	4.00%	2,277	5.00%
As of December 31, 2000						
Total Risk Based Capital (to risk weighted assets):						
United Financial Holding Company	$26,785	13.28%	$16,141	8.00%	$20,176	10.00%
United Bank & Trust	20,924	10.53%	15,903	8.00%	19,878	10.00%
Tier I Capital (to risk weighted assets):						
United Financial Holding Company	24,016	11.90%	8,070	4.00%	12,105	6.00%
United Bank & Trust	18,436	9.27%	7,951	4.00%	11,927	6.00%
Tier I Capital (to average assets):						
United Financial Holding Company	24,016	10.26%	9,361	4.00%	11,701	5.00%
United Bank & Trust	18,436	8.03%	9,183	4.00%	11,478	5.00%

NOTE O – CONCENTRATIONS OF RISK

All of the Company's loans, commitments, and commercial and standby letters of credit have been granted to customers who are substantially all located in the Company's market area. The majority of customers are depositors of the Company. The concentrations of credit by type of loan are set forth in Note H. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Company, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of its legal lending limit. At December 31, 2001 and 2000, less than 5% of the Company's loans are unsecured.

At December 31, 2001, one customer controlled approximately 9% of the total deposits of the Bank. Such deposits were invested primarily in short-term investments.

NOTE P – COMMITMENTS AND CONTINGENT LIABILITIES

Off balance-sheet risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. Those instruments involve, to varying degrees, elements of credit and interest rate risks in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Unless noted otherwise, the Company does not require collateral or other security to support financial instruments with off-balance-sheet credit risk. The contract or notional amounts are as follows:

	December 31,	
	2001	2000
Commitments to extend credit	$42,997,155	$29,546,146
Standby letters of credit and financial guarantees written	$ 4,546,715	$ 2,723,906

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds residential or commercial real estate, accounts receivable, inventory, and equipment as collateral supporting those commitments for which collateral is deemed necessary.

NOTE P – COMMITMENTS AND CONTINGENT LIABILITIES – Continued

Litigation

The Company is party to certain litigation encountered in the course of its normal operations, a portion of which involves actions brought against borrowers, generally involving foreclosure proceedings. In some instances, borrowers or interested parties have filed or threatened suit in retaliation. Management, after consulting with legal counsel, believes that it has valid defenses and intends to vigorously defend these matters. Management is of the opinion that an unfavorable outcome, if any, would not have a material effect upon the consolidated financial statements.

Operating Leases

The Company also has operating leases covering certain office equipment and office facilities expiring at various times through 2014.

The minimum annual rentals under these leases as of December 31, 2001, are as follows:

Year	Amount
2002	$ 412,387
2003	368,992
2004	370,716
2005	371,921
2006	357,819
Thereafter	1,156,219
Total minimum lease payments	$3,038,054

The Company's rent expense was $389,002, $99,896, and $96,788 for the years ended December 31, 2001, 2000 and 1999, respectively.

NOTE Q – FAIR VALUE OF FINANCIAL INSTRUMENTS

The assumptions used in the estimation of the fair value of the Company's financial instruments are detailed below. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of the Company, but rather represent a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

The Company, in estimating the fair value of its financial instruments, used the following methods and assumptions:

Cash and due from banks and interest bearing deposits with other banks: Fair value equals the carrying value of such assets.

Investment securities and investment securities available for sale: Fair values for investment securities are based on quoted market prices.

Federal funds sold: Due to the short-term nature of these assets, the carrying values of these assets approximate their fair value.

NOTE Q – FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Loans: For variable rate loans, those repricing within six months or less, fair values are based on carrying values. Fixed rate commercial loans, other installment loans, and certain real estate mortgage loans were valued using discounted cash flows. The discount rate used to determine the present value of these loans was based on interest rates currently being charged by the Company on comparable loans as to credit risk and term.

Off-balance-sheet instruments: The Company's loan commitments, standby letters of credit and financial guarantees written, which approximate $48,000,000 and $32,000,000 at December 31, 2001 and 2000, respectively, are negotiated at current market rates and are relatively short-term in nature and, as a matter of policy, the Company generally makes commitments for fixed rate loans for relatively short periods of time. Therefore, the estimated value of the Company's loan commitments approximates the fees charged for entering into the commitments.

Deposit liabilities: The fair values of demand deposits are, as required by SFAS 107, equal to the carrying value of such deposits. Demand deposits include non-interest-bearing demand deposits, savings accounts, NOW accounts and money market demand accounts. Discounted cash flows have been used to value fixed rate term deposits. The discount rate used is based on interest rates currently being offered by the Company on comparable deposits as to amount and term.

Short-term borrowings: The carrying value of Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings approximate their carrying values.

Long-term debt: The carrying value of the Company's long-term debt approximates its fair value since the interest rates on these instruments approximate market interest rates.

Cumulative trust preferred securities: Fair value for cumulative trust preferred securities are based on quoted market prices.

	For the Years Ended			
Financial Instruments	December 31, 2001		December 31, 2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:	(in thousands)		(in thousands)	
Cash and due from banks	$17,556	$17,556	$ 9,420	$ 9,420
Federal funds sold	12,671	12,671	4,961	4,961
Securities held to maturity	19,643	19,907	16,036	16,078
Securities available for sale	26,820	26,820	11,296	11,296
Loans	247,487	250,815	185,830	186,122
Federal Home Loan Bank stock	507	507	507	507
Federal Reserve Bank stock	226	226	226	226
Liabilities:				
Demand deposits	55,994	55,994	37,051	37,051
NOW and money market	93,690	93,690	78,887	78,887
Savings	6,316	6,316	4,573	4,573
Time, $100,000 and over	50,072	49,191	28,013	27,979
Other time	76,496	74,792	53,628	53,538
Securities sold under agreements to repurchase	15,523	15,523	10,163	10,163
Convertible subordinated debentures	-	-	630	1,165
UFHCT I Cumulative trust preferred securities	6,750	6,885	6,750	6,750
UFHST II Cumulative trust preferred securities	10,000	10,000	-	-
Off balance sheet items	-	475	-	320

NOTE R – RELATED PARTIES

The Bank has entered into transactions with its directors, significant stockholders, and their affiliates ("related parties"). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties approximated $11,055,000, $8,229,000, and $6,194,000 at December 31, 2001, 2000 and 1999, respectively.

During March 1997, an affiliate of one of the Company's directors (the "Manager") entered into a property Management Agreement with Imaginative Investments, Inc., a subsidiary of the Bank, pursuant to which the Manager is employed to act as the sole and exclusive manager in the leasing, operation and management of the Company's principal executive offices for total annual consideration of approximately $19,000. The Owner is required to maintain comprehensive general public liability insurance in the amount of $2,000,000 naming as insured parties the Owner, Manager and such other parties as the Owner may direct. The Manager must maintain its own insurance to protect itself from any and all claims under any workers' compensation laws or other employer's liability laws.

In 2001, the Company invested $125,000 representing a 25% equity interest and made a $925,000 loan to a newly formed partnership. One of the managing partners is the son-in-law of the Company's president. The investment is accounted for under the equity method of accounting.

NOTE S – PROFIT SHARING PLAN

The Company has a defined contribution profit-sharing plan covering substantially all employees. The Board of Directors determines contributions annually. The Company contributed $130,000, $117,000, and $112,500 for the years ended December 31, 2001, 2000 and 1999, respectively. The plan was amended in 1993 to include an Employee Stock Ownership Plan (ESOP) provision. As of December 31, 2001, the ESOP owned 167,354 shares of the Company's common stock and 1,436 shares of Series One Preferred Stock. During 2001, the ESOP purchased 17,500 shares of common stock on the open market; the 1,436 shares of Series One Preferred Stock in a private transaction.

The Company sponsors a deferred compensation 401(k) Plan for the benefit of eligible full-time employees. The 401(k) Plan, which is voluntary, allows employees to contribute up to 10 percent of their total compensation (or a maximum of $10,500 as limited by federal regulations) on a pre-tax basis. The Company makes a matching contribution of 100 percent of the first $500 and 40 percent thereafter, up to the maximum amount allowed by the 401(k) Plan. Employee contributions to the 401(k) Plan were $275,234, $226,786, and $182,040 for the years ended December 31, 2001, 2000 and 1999, respectively. The Company's matching contribution was $134,182, $110,692, and $90,732 for the years ended December 31, 2001, 2000 and 1999, respectively.

NOTE T – STOCKHOLDERS' EQUITY

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share (EPS) computations. Options to purchase 7,000 shares of common stock at $10.80 and $9.13 a share, 452,749 shares of common stock at $7.90 a share, and 454,749 shares of common stock at $7.92 a share at December 31, 2001, 2000 and 1999, respectively, were not included in the computation of diluted EPS because the options' exercise price was not less than the value of the common shares based on quoted market price and would be anti-dilutive. All these options have various lives and begin to expire in 2007.

	For the Year Ended December 31,								
	2001			2000			1999		
	Earnings	Weighted Average Shares	Per Share Amount	Earnings	Weighted Average Shares	Per Share Amount	Earnings	Weighted Average Shares	Per Share Amount
Basic EPS									
Net earnings available to common stockholders	$3,157,622	4,432,153	$.71	$3,046,518	4,232,304	$.72	$2,322,095	4,118,228	$.56
Effect of dilutive securities									
Incremental shares from assumed exercise or conversion of:									
Convertible debt	1,310	6,698		31,434	152,790		31,434	152,790	
Preferred stock	4,667	56,233		7,000	81,196		10,798	129,476	
Stock options	-	54,640		-	1,531		-	-	
Diluted EPS									
Net earnings available to common stockholders and assumed conversions	$3,163,639	4,549,724	$.70	$3,084,952	4,467,821	$.69	$2,364,327	4,400,494	$.54

During the year ended December 31, 1997, the Company adopted the United Financial Holdings, Inc. Stock Option and Incentive Compensation Plan ("Plan") under which 468,000 shares of common stock were reserved. Under the Plan, the Company may grant its Board of Directors and certain officers incentive stock options or non-qualified stock options to purchase a specified number of shares of common stock at a price not less than fair market value on the date of grant and for a term not to exceed 10 years. The options granted to the Board of Directors are 100% vested and the remaining options vest and become exercisable at 20% increments after each anniversary date of employment beginning after the second anniversary date.

NOTE T – STOCKHOLDERS' EQUITY – Continued

During the year ended December 31, 1998, the Company adopted the United Financial Holdings, Inc. Stock Option Plan (the "1998 Plan") under which 250,000 shares of common stock were reserved. Under the Plan, the Company may grant stock options to key persons and other persons who contribute materially to the success and profitability of the Company. The Plan is also used to assist in attracting and retaining key individuals. The Company may grant incentive stock options or non-qualified stock options to purchase a specified number of shares of common stock at a price not less than the fair market value on the date of grant and for a term not to exceed 10 years. The options granted are subject to a vesting schedule as set forth in each individual option agreement. All options granted in 2001, 2000 and 1999 were at the estimated fair market value of the Company's common stock at the grant date.

	Number of Shares	Range of Per Share Option Price	Weighted Average Per Share Price
Outstanding at December 31, 1998	481,380	$ 7.63-8.25	$ 7.94
Options granted	3,000	6.69	6.69
Options exercised	-	-	-
Options forfeited	(29,631)	7.94-8.25	(8.08)
Outstanding at December 31, 1999	454,749	6.69-7.63	7.92
Options granted	53,000	6.81-7.63	7.04
Options exercised	-	-	-
Options forfeited	(27,000)	7.63-7.94	(7.78)
Outstanding at December 31, 2000	480,749	6.69-7.94	7.83
Options granted	36,000	7.50 – 10.80	8.17
Options exercised	-	-	-
Options forfeited	-	-	-
Outstanding at December 31, 2001	516,749	6.69 – 10.80	7.85

NOTE T – STOCKHOLDERS' EQUITY – Continued

Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
Outstanding Shares:			
$7.94	424,749	6.00	$ 7.94
6.69 – 7.68	81,000	8.83	7.22
8.48 – 10.80	11,000	9.64	9.35
Exercisable Shares:			
$7.94	424,749		$ 7.94
6.69 – 7.68	12,400		7.03
8.48 – 10.80	1,200		10.80

The Company has adopted only the disclosure provisions of SFAS 123 as it relates to employee awards. APB 25 is applied in accounting for the Company's plans. Accordingly, no compensation expense is recognized related to stock based compensation plans. The pro forma net earnings and net earnings per common share, if the Company elected to account for its plans consistent with the methodology prescribed by SFAS 123, are a follows:

	For the Years Ended December 31,		
	2001	2000	1999
Net earnings:			
As reported	$3,225,730	$3,053,518	$2,332,893
Pro Forma	$3,168,554	$2,919,103	$2,244,347
Net earnings per common share – basic:			
As reported	$ .71	$ .72	$ .56
Pro Forma	$ .72	$ .69	$ .54
Net earnings per common chare – diluted:			
As reported	$ .70	$ .69	$ .54
Pro Forma	$ .70	$ .65	$ .51

NOTE T – STOCKHOLDERS' EQUITY – Continued

At December 31, 2001, in order to calculate the fair value of the options, the Black-Scholes option-pricing model was used with the risk-free interest rate of 4.0%, the dividend yield would be 2.39% over the exercise period, the expected life of the options would be three years, and stock volatility would be 55%. At December 31, 2000, in order to calculate the fair value of the options, it was assumed that the risk-free interest rate was 6.0%, the dividend yield would be 2.36% over the exercise period, the expected life of the options would be four years, and stock volatility would be 20%. At December 31, 1999, it was assumed the risk-free rate was 6.0%, the dividend yield was 1.68% over the exercise period, the expected life of the option would be the entire exercise period, and stock volatility would be 20% due to a thinly traded market for the stock for this period.

In November, 2001 the Board of Directors of the Company authorized the repurchase of up to 300,000 shares of its common stock. As of December 31, 2001 no shares had been repurchased.

NOTE U – EXECUTIVE COMPENSATION

The Company has employment contracts with certain executive officers of the Company, providing for a total annual payment equal to their annual base salary plus bonuses. These contracts are in effect until termination (as defined) of the related employee. If the Company terminates the employee for other than just cause (as defined), the affected employee shall receive, for a period of twelve months, continuing compensation equal to his compensation for the twelve month period immediately prior to termination.

The Company has established a non-qualified defined benefit plan covering certain executive employees. The Plan specifies that upon reaching age 65, the employee will receive an annual benefit (paid monthly) ranging from 40 percent to 60 percent of their annual salary, for 240 months. The Company will accrue the present value of the estimated future retirement payments over the period from the date of each agreement to the retirement date of the respective executive officer. To fund these benefit plans, the Company purchased single premium cash value life insurance policies with current cash surrender values of $2.8 million, which have been capitalized and included in other assets.

SUPPLEMENTAL SCHEDULES

United Financial Holdings, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATING BALANCE SHEET
December 31, 2001

	United Financial Holdings, Inc.	United Bank & Trust	United Bank of the Gulf Coast	EPW	Trust	UFH Capital Trust I	UFH Statutory Trust II	UFMB Corp.	Total	Eliminating Entries	Consolidated Total
ASSETS											
Cash and due from banks	$ 119,123	$ 17,069,190	$ 524,194	$ 206,544	$ 91,601	$ -	$ -	$ 1	$ 18,010,653	$ (454,772)	$ 17,555,881
Federal funds sold	-	8,525,000	4,145,678	-	-	-	-	-	12,670,678	-	12,670,678
Securities held to maturity	-	11,641,293	8,001,882	-	-	-	-	-	19,643,175	-	19,643,175
Securities available for sale, at market	6,750,000	9,793,586	7,356,809	-	1,920,687	-	-	1,848,739	27,669,821	(850,000)	26,819,821
Loans, net	-	214,360,117	26,954,431	-	-	-	-	1,050,000	242,364,548	-	242,364,548
Premises and equipment, net	-	11,179,882	306,873	54,504	190,779	-	-	-	11,732,038	-	11,732,038
Federal Home Loan Bank stock	-	506,600	-	-	-	-	-	-	506,600	-	506,600
Federal Reserve Bank stock	-	226,300	-	-	-	-	-	-	226,300	-	226,300
Accrued interest receivable	675	1,225,436	187,334	-	18,724	-	22,453	33,438	1,488,060	(22,453)	1,465,607
Intangible assets, net	436,958	359,511	822,561	-	1,328,731	-	-	-	2,947,761	-	2,947,761
Other real estate owned	-	141,365	-	-	-	-	-	-	141,365	-	141,365
Other assets	36,902,649	5,710,289	1,130,932	32,049	912,985	6,959,200	10,310,000	37	61,958,141	(53,840,091)	8,118,050
Total assets	$44,209,405	$280,738,569	$49,430,694	$ 293,097	$4,463,507	$6,959,200	$10,332,453	$2,932,215	$399,359,140	$(55,167,316)	$344,191,824

United Financial Holdings, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATING BALANCE SHEET – Continued
December 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY	United Financial Holdings, Inc.	United Bank & Trust	United Bank of the Gulf Coast	EPW	Trust	UFH Capital Trust I	UFH Statutory Trust II	UFMB Corp.	Total	Eliminating Entries	Consolidated Total
Deposits											
Demand	$ -	$ 53,965,791	$ 2,483,475	$ -	$ -	$ -	$ -	$ -	$ 56,449,266	$ (454,773)	$ 55,994,493
NOW and money market	-	80,600,513	13,089,707	-	-	-	-	-	93,690,220	-	93,690,220
Savings	-	6,298,614	17,814	-	-	-	-	-	6,316,428	-	6,316,428
Time, $100,000 and over	-	41,097,688	9,824,288	-	-	-	-	-	50,921,976	(850,000)	50,071,976
Other time	-	58,708,529	17,786,801	-	-	-	-	-	76,495,330	-	76,495,330
Total deposits	-	240,671,135	43,202,085	-	-	-	-	-	283,873,220	(1,304,773)	282,568,447
Securities sold under agreements to repurchase	-	15,522,785	-	-	-	-	-	-	15,522,785	-	15,522,785
Accrued interest payable	22,453	503,979	115,559	-	-	-	22,453	-	664,444	(22,453)	641,991
Convertible subordinated debentures	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	17,269,200	-	-	-	-	-	-	-	17,269,200	(17,269,200)	-
Other liabilities	1,019,169	2,358,924	78,540	111,265	736,354	-	-	-	4,304,252	(1,493,834)	2,810,418
Total liabilities	18,310,822	259,056,823	43,396,184	111,265	736,354	-	22,453	-	321,633,901	(20,090,260)	301,543,641
Company-obligated Mandatory Redeemable Capital Securities of Subsidiary Trust Holding Solely Subordinated Debentures of the Company	-	-	-	-	-	6,749,600	10,000,000	-	16,749,600	-	16,749,600
STOCKHOLDERS' EQUITY											
Series One Preferred Stock	3,075,152	-	-	-	-	-	-	-	3,075,152	-	3,075,152
7% convertible preferred stock	66,670	-	-	-	-	-	-	-	66,670	-	66,670
Common stock	44,652	750,000	3,000,000	38,539	1,000,000	209,600	310,000	-	5,352,791	(5,308,139)	44,652
Paid-in capital	10,982,678	6,792,746	3,339,315	775,813	2,457,925	-	-	2,932,276	27,280,753	(16,298,075)	10,982,678
Treasury shares	(176,685)	-	-	-	-	-	-	-	(176,685)	-	(176,685)
Accumulated other comprehensive income	157,519	109,446	30,323	-	17,750	-	-	-	315,038	(157,519)	157,519
Retained earnings	11,748,597	14,029,554	(335,128)	(632,520)	251,478	-	-	(61)	25,061,920	(13,313,323)	11,748,597
Total stockholders' equity	25,898,583	21,681,746	6,034,510	181,832	3,727,153	209,600	310,000	2,932,215	60,975,639	(35,077,056)	25,898,583
Total liabilities and stockholders' Equity	$44,209,405	$280,738,569	$49,430,694	$ 293,097	$4,463,507	$6,959,200	$10,332,453	$2,932,215	$399,359,140	($55,167,316)	$344,191,824

United Financial Holdings, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATING STATEMENT OF EARNINGS
For the Year Ended December 31, 2001

Interest income	United Financial Holdings Inc.	United Bank & Trust	United Bank of the Gulf Coast	EPW	Trust	UFH Capital Trust I	UFH Statutory Trust II	UFMB Corp.	Total	Eliminating Entries	Consolidated Total
Loans and loan fees	$ 8,213	$18,524,125	$1,003,945	$ -	$ -	$ -	$ -	$ 27,189	$19,563,472	$ -	$19,563,472
Securities											
U.S. Treasury	-	197,978	-	-	-	-	-	-	197,978	-	197,978
Obligations of other U.S. Government agencies and corporations	-	817,734	55,627	-	197,094	-	-	(27,287)	1,043,168	(112,759)	930,409
Obligations of states and political subdivisions	-	221,991	-	-	-	-	-	-	221,991	-	221,991
Other	-	282,997	335,640	-	-	-	-	-	618,637	-	618,637
Subordinated debentures	20,377	-	-	-	-	654,165	22,453	-	696,995	(696,995)	-
Federal funds sold and securities purchased under reverse repurchase agreements	-	493,152	245,503	-	-	-	-	-	738,655	-	738,655
Total interest income	28,590	20,537,977	1,640,715	-	197,094	654,165	22,453	(98)	23,080,896	(809,754)	22,271,142
Interest expense											
NOW and money market	-	2,122,229	266,599	-	-	-	-	-	2,388,828	-	2,388,828
Savings	-	95,569	181	-	-	-	-	-	95,751	-	95,751
Time deposits, $100,000 and over	-	1,954,809	295,677	-	-	-	-	-	2,250,485	-	2,250,485
Other time	-	3,221,972	568,223	-	-	-	-	-	3,790,195	(29,249)	3,760,946
Short and long-term debt	30,915	-	-	-	-	-	-	-	30,915	-	30,915
Subordinated debentures issued to subsidiary Trust	676,617	-	-	-	-	19,703	675	-	696,995	(696,995)	-
Federal funds purchased and securities sold under agreements to repurchase	-	499,026	-	-	-	-	-	-	499,026	(83,510)	415,516
Cumulative Trust Preferred Securities	-	-	-	-	-	634,462	21,778	-	656,240	-	656,240
Total interest expense	707,532	7,893,605	1,130,680	-	-	654,165	22,453	-	10,408,435	(809,754)	9,598,681
Net interest income	(678,942)	12,644,372	510,035	-	197,094	-	-	(98)	12,672,461	-	12,672,461
Provision for loan losses	-	880,000	27,000	-	-	-	-	-	907,000	-	907,000
Net interest income after provision for loan losses	(678,942)	11,764,372	483,035	-	197,094	-	-	(98)	11,765,461	-	11,765,461

United Financial Holdings, Inc. and Subsidiaries
SUPPLEMENTAL CONSOLIDATING STATEMENT OF EARNINGS – Continued
For the Year Ended December 31, 2001

	United Financial Holdings Inc.	United Bank & Trust	United Bank of the Gulf Coast	EPW	Trust	UFH Capital Trust I	UFH Statutory Trust II	UFMB Corp.	Total	Eliminating Entries	Consolidated Total
Other income											
Service charges on deposit accounts	$ -	$ 1,291,330	$ 25,378	$ -	$ -	$ -	$ -	$ -	$ 1,316,708	$ -	$ 1,316,708
Trust and investment management income	-	-	-	1,577,843	1,587,505	-	-	-	3,165,348	(48,000)	3,117,348
Net trading account loss	-	-	-	-	-	-	-	-	-	-	-
Equity in earnings of subsidiaries	3,804,758	-	-	-	-	-	-	-	3,804,758	(3,804,758)	-
Other service charges, fees and income	-	1,695,862	8,909	-	-	-	-	-	1,704,771	(233,776)	1,470,995
Total other income	3,804,758	2,987,192	34,287	1,577,843	1,587,505	-	-	-	9,991,585	(4,086,534)	5,905,051
Other expense											
Salaries and employee benefits	-	4,895,707	551,812	964,580	959,059	-	-	-	7,371,158	-	7,371,158
Occupancy expense	-	715,077	154,187	75,309	69,236	-	-	-	1,013,809	(65,445)	948,364
Furniture and equipment expense	-	578,373	70,398	43,729	87,844	-	-	-	780,344	-	780,344
Data processing expense	-	579,406	78,828	17,957	132,784	-	-	-	808,975	-	808,975
Legal and professional fees	32,287	123,666	555	2,622	4,979	-	-	-	164,109	-	164,109
Amortization of intangible assets	31,027	14,724	24,136	-	92,166	-	-	-	162,052	-	162,052
Other operating expenses	272,333	1,673,749	157,049	201,988	277,151	-	-	-	2,582,270	(216,332)	2,365,936
Earnings (loss) before income taxes	2,790,169	6,170,862	(519,643)	271,658	161,380	-	-	(98)	8,874,328	(3,804,755)	5,069,573
Income tax expense (benefit)	(435,561)	2,262,741	(184,515)	103,116	98,099	-	-	(37)	1,843,843	-	1,843,843
NET EARNINGS (LOSS)	$3,225,730	$ 3,908,121	$ (335,128)	$ 168,542	$ 63,281	$ -	$ -	$ (61)	$ 7,030,485	($3,804,755)	$ 3,225,730