

United Security Bancshares, Inc.

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UNITED SECURITY BANCSHARES, INC. REPORTS FIRST QUARTER RESULTS

THOMASVILLE, Ala. (May 1, 2014) -- United Security Bancshares, Inc. (NASDAQ: USBI) today reported net income of \$774,000, or \$0.13 per diluted share, for the first quarter ended March 31, 2014, compared with net income of \$886,000, or \$0.15 per diluted share, for the first quarter of 2013.

“We are pleased to report solid progress in reducing problem loans and associated costs since last year,” stated James F. House, President and CEO of United Security Bancshares, Inc. “This quarter marked our sixth consecutive quarter of reducing non-performing assets, which were down 45% from the first quarter of last year. We believe that our continued progress in reducing non-performing assets will be an important driver in building future earnings.

“We continue to attract deposits, and we are pleased with new loans generated from consumer, commercial and industrial customers, and a new first mortgage home loan product; however, total loan volume remained below the level of payoffs in the first quarter due to weak demand for commercial and real estate loans. Our team remains focused on generating quality loans in an environment that is becoming increasingly competitive for the best credits. Our capital position remains strong, and we have excellent liquidity to fund loan growth as our markets improve,” continued Mr. House.

First Quarter Results

Interest income totaled \$7.8 million in the first quarter of 2014, compared with \$8.6 million in the first quarter of 2013. The decline in interest income was due primarily to lower earning assets, primarily loans, as well as reduction in yield, compared with the first quarter of 2013.

Net loans totaled \$276.7 million in the first quarter of 2014, compared with \$321.0 million in the first quarter of 2013. The decrease in net loans was due to loan payoffs and write-downs outpacing new loan demand. An overall weak economy in our footprint, primarily centered in the real estate sector, has been a significant factor in lower loan demand over the past year.

Interest expense declined 18.3% to \$645,000 in the first quarter of 2014, compared with \$789,000 in the first quarter of 2013. The decrease resulted primarily from lower interest rates paid on deposits compared with the first quarter of 2013.

Net interest income was \$7.2 million in the first quarter of 2014, compared with \$7.8 million in the first quarter of 2013. The decline in net interest income was due to lower earning assets, primarily loans, combined with a 0.5% decline in net interest margin, compared with the first quarter of 2013. Net interest margin was 5.6% in the first quarter of 2014, compared with 6.1% in the first quarter of 2013. The decline in net interest margin was due primarily to the overall decline in interest earned on loans and investments. In addition, the yield on the investment portfolio has declined due to the early payoff of certain higher yielding bonds.

Provision for loan losses declined to \$414,000 in the first quarter of 2014, or 0.56% of annualized average loans, compared with \$506,000, or 0.60% of annualized average loans, in the first quarter of 2013. Net charge-offs were \$1.2 million in the first quarter of 2014, compared with \$3.0 million in the first quarter of 2013. The decrease in net charge-offs reflected the overall improvement in the loan portfolio, including a lower level of write-downs compared with the first quarter of last year.

Total non-interest income was \$1.1 million in the first quarter of 2014, compared with \$1.6 million in the first quarter of 2013. The decrease in non-interest income was due to lower service charges and other income compared with the first quarter of 2013. Other income for the first quarter of 2013 included a \$484,000 nonrecurring fee received from the early payoff of a mortgage-backed pool that was not repeated in the first quarter of 2014.

Total non-interest expense declined 10.5% to \$6.9 million in the first quarter of 2014, compared with \$7.7 million in the first quarter of 2013. The decline in non-interest expense was due primarily to lower OREO-related costs, which declined \$807,000 compared with the first quarter of 2013. The decrease in OREO-related expenses resulted in part from an \$88,000 gain on sale of OREO in the first quarter of 2014, compared with a \$445,000 loss on sale of OREO in the first quarter of 2013. Other real estate / foreclosure expense was \$100,000 in the first quarter of 2014, compared with \$907,000 in the first quarter of 2013. OREO totaled \$10.4 million at March 31, 2014, a 16.1% decline from \$12.4 million at March 31, 2013.

United Security Bancshares, Inc. and First United Security Bank continued to be rated as “well-capitalized,” the highest regulatory rating, as of March 31, 2014. Total risk-based capital was 20.66% for the Company and 20.82% for the Bank, compared with a regulatory requirement of 10.0% for a well-capitalized institution and a minimum regulatory requirement of 8.0%. The Tier 1 leverage ratio was 10.90% for the Company and 10.99% for the Bank, both measures significantly above the requirement of 5.0% for a well-capitalized institution and minimum regulatory requirement of 3.0%.

About United Security Bancshares, Inc.

United Security Bancshares, Inc. is a bank holding company that operates nineteen banking offices in Alabama through First United Security Bank. In addition, the Company’s operations include Acceptance Loan Company, Inc., a consumer loan company, and FUSB Reinsurance, Inc., an underwriter of credit life and credit accident and health insurance policies sold to the Bank’s and ALC’s consumer loan customers. The Company’s stock is traded on the Nasdaq Capital Market under the symbol “USBI.”

Forward-Looking Statements

This press release contains forward-looking statements, as defined by federal securities laws. Statements contained in this press release that are not historical facts are forward-looking statements. These statements may address issues that involve significant risks, uncertainties, estimates and assumptions made by management. USBI undertakes no obligation to update these statements following the date of this press release, except as required by law. In addition, USBI, through its senior management, may make from time to time forward-looking public statements concerning the matters described herein. Such forward-looking statements are necessarily estimates reflecting the best judgment of USBI’s senior management based upon current information and involve a number of risks and uncertainties. Certain factors that could affect the accuracy of such forward-looking statements are identified in the public filings made by USBI with the Securities and Exchange Commission, and forward-looking statements contained in this press release or in other public statements of USBI or its senior management should be considered in light of those factors. Specifically, with respect to statements relating to loan demand, growth and earnings potential and the adequacy of the allowance for loan losses for USBI, these factors include, but are not limited to, the rate of growth (or lack thereof) in the economy, the relative strength and weakness in the consumer and commercial credit sectors and in the real estate markets and collateral values. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

UNITED SECURITY BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in Thousands, Except Share Data)

| | March 31, 2014 | December 31, 2013 |
|--|---------------------------|------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and Due from Banks | \$ 11,273 | \$ 10,276 |
| Interest-Bearing Deposits in Other Banks | 48,747 | 37,444 |
| Total Cash and Cash Equivalents | 60,020 | 47,720 |
| Investment Securities Available-for-Sale, at fair value | 150,840 | 135,754 |
| Investment Securities Held-to-Maturity, at amortized cost | 39,066 | 35,050 |
| Federal Home Loan Bank Stock, at cost | 738 | 906 |
| Loans, net of allowance for loan losses of \$8,567 and \$9,396, respectively | 276,717 | 300,927 |
| Premises and Equipment, net | 9,447 | 8,928 |
| Cash Surrender Value of Bank-Owned Life Insurance | 13,730 | 13,650 |
| Accrued Interest Receivable | 2,206 | 2,702 |
| Other Real Estate Owned | 10,384 | 9,310 |
| Other Assets | 12,568 | 14,854 |
| Total Assets | \$575,716 | \$569,801 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits | \$490,191 | \$484,279 |
| Accrued Interest Expense | 238 | 266 |
| Other Liabilities | 8,134 | 8,930 |
| Short-Term Borrowings | 803 | 1,231 |
| Long-Term Debt | 5,000 | 5,000 |
| Total Liabilities | 504,366 | 499,706 |
| Common Stock, par value \$0.01 per share, 10,000,000 shares authorized; 7,327,560 shares issued; 6,023,622 shares outstanding | 73 | 73 |
| Surplus | 9,299 | 9,284 |
| Accumulated Other Comprehensive Income, net of tax | 995 | 529 |
| Retained Earnings | 81,988 | 81,214 |
| Less Treasury Stock: 1,303,938 shares at cost | (20,992) | (20,992) |
| Noncontrolling Interest | (13) | (13) |
| Total Shareholders' Equity | 71,350 | 70,095 |
| Total Liabilities and Shareholders' Equity | \$575,716 | \$569,801 |

UNITED SECURITY BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Share and Per Share Data)

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2014 | 2013 |
| | (Unaudited) | |
| INTEREST INCOME: | | |
| Interest and Fees on Loans | \$ 6,797 | \$ 7,910 |
| Interest on Investment Securities | 1,049 | 684 |
| Total Interest Income | 7,846 | 8,594 |
| INTEREST EXPENSE: | | |
| Interest on Deposits | 637 | 787 |
| Interest on Borrowings | 8 | 2 |
| Total Interest Expense | 645 | 789 |
| NET INTEREST INCOME | 7,201 | 7,805 |
| PROVISION FOR LOAN LOSSES | 414 | 506 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 6,787 | 7,299 |
| NON-INTEREST INCOME: | | |
| Service and Other Charges on Deposit Accounts | 500 | 590 |
| Credit Life Insurance Income | 140 | 110 |
| Other Income | 507 | 923 |
| Total Non-Interest Income | 1,147 | 1,623 |
| NON-INTEREST EXPENSE: | | |
| Salaries and Employee Benefits | 4,082 | 4,012 |
| Occupancy Expense | 500 | 461 |
| Furniture and Equipment Expense | 315 | 283 |
| Other Real Estate / Foreclosure Expense | 100 | 907 |
| Other Expense | 1,887 | 2,029 |
| Total Non-Interest Expense | 6,884 | 7,692 |
| INCOME BEFORE INCOME TAXES | 1,050 | 1,230 |
| PROVISION FOR INCOME TAXES | 276 | 344 |
| NET INCOME | \$ 774 | \$ 886 |
| BASIC AND DILUTED NET INCOME PER SHARE | \$ 0.13 | \$ 0.15 |
| DIVIDENDS PER SHARE | \$ - | \$ - |

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