

United Security Bancshares, Inc. Reports 2009 Results

THOMASVILLE, Ala., Feb. 19 /PRNewswire-FirstCall/ -- United Security Bancshares, Inc. (Nasdaq: [USBI](#)) today reported net income of \$4.8 million, or \$0.79 per diluted share, for the twelve months ended December 31, 2009, compared with net income of \$5.4 million, or \$0.89 per diluted share, for the 2008 fiscal year. Net loss for the fourth quarter of 2009 was (\$414,000), or (\$0.07) per diluted share, compared with net income of \$583,000, or \$0.10 per diluted share, for the fourth quarter of 2008.

"United Security was solidly profitable in 2009; however, our earnings were lower than in 2008 due to higher credit costs related to the weak economy," stated R. Terry Phillips, President and Chief Executive Officer of United Security Bancshares, Inc. "We remain very proactive in monitoring our loan portfolio to minimize future losses and protect our capital base."

"We are pleased that United Security and First United Security Bank continue to be rated as 'well-capitalized,' the highest regulatory rating. We achieved this rating without any government loans or backing, and our capital position continues to be much stronger than that of many of our peer banks. We believe that our strong capital position highlights the safety and soundness of our banking operations," continued Mr. Phillips.

Twelve Month Results

For the year ended December 31, 2009, net income was \$4.8 million, or \$0.79 per diluted share, compared with \$5.4 million, or \$0.89 per diluted share, for the year ended December 31, 2008.

Net interest income was \$34.3 million in 2009, compared with \$35.2 million in 2008. The decrease in net interest income was due primarily to a decline in interest earned on loans related to lower average volume and yields compared with 2008.

Provision for loan losses increased to \$9.1 million in 2009, or 2.2% annualized of average loans, compared with \$8.9 million, or 2.1% annualized of average loans, in 2008. Net charge-offs totaled \$7.6 million in 2009, compared with \$8.9 million in 2008.

Non-interest income rose 20.6% to \$7.8 million in 2009, compared with \$6.5 million in 2008. The increase in non-interest income resulted primarily from \$2.7 million in proceeds from the settlement of a lawsuit, which was included in other income, partially offset by lower service charges and fees on deposit accounts and credit life insurance commissions, compared with 2008.

Non-interest expense rose 5.5% to \$26.7 million in 2009, compared with \$25.3 million in 2008. The increase was due to higher salary and benefits, FDIC insurance and assessment costs, partially offset by lower legal expenses.

Shareholders' equity totaled \$81.5 million, or book value of \$13.54 per share, as of December 31, 2009. Return on average assets as of December 31, 2009 was 0.70%, and return on average equity was 5.90%.

Fourth Quarter Results

United Security reported a net loss of (\$414,000), or (\$0.07) per diluted share, for the fourth quarter of 2009, compared with net income of \$583,000, or \$0.10 per diluted share, for the fourth quarter of 2008.

"United Security's fourth quarter loss was due primarily to an increase in the provision for loan losses to account for a higher level of charge-offs and the strengthening of our allowance for loan losses," stated Mr. Phillips. "In our year-end review of our loan portfolio, we tightened our criteria for grading loans in light of the heightened regulatory scrutiny in the current environment and the prolonged weakness in the economy. We added \$2.0 million to our allowance for loan losses in the fourth quarter based on our year-end reviews. We believe that our conservative approach in building our reserves was warranted in light of the economy's impact on real estate values and our concentration of real estate loans."

Interest income totaled \$11.8 million in the fourth quarter of 2009, compared with \$12.7 million in the fourth quarter of 2008. The decrease in interest income was due primarily to lower interest earned on loans and securities due to a decline in average interest rates.

"Net loans increased 1.2% in the fourth quarter to \$402.5 million at year-end 2009," stated Mr. Phillips. "New loan demand remains weak in most of our markets due to the effects of the economy and the increase in unemployment rates. We expect loan demand to remain soft until the economy improves and real estate values stabilize."

Interest expense declined 25.3% to \$2.9 million in the fourth quarter of 2009, compared with \$3.9 million in the fourth quarter of 2008. The decline in interest expense was due primarily to lower average rates paid on interest bearing deposits, offset somewhat by higher average balances in interest bearing accounts. Average deposits increased 2.9% to a record \$502.1 million, compared with \$488.2 million in the fourth quarter of 2008.

Net interest income rose 0.2% to \$8.9 million in the fourth quarter of 2009, compared with \$8.8 million in the fourth quarter of the prior year. The increase in net interest income was due to an increase in average loans, partially offset by a 13 basis point decrease in the net interest margin, compared with the fourth quarter of 2008. Net interest margin improved 25 basis points to 5.71% from the linked third quarter of 2009 but was down 13 basis points from the fourth quarter of 2008 net interest margin of 5.84%.

"This was our second consecutive quarterly increase in our net interest margin," continued Mr. Phillips. "The increase resulted from lower cost of funds, partially offset by excess liquidity due to growth in our deposit base and the increase in non-accrual loans, compared with 2008."

Provision for loan losses was \$4.2 million in the fourth quarter of 2009, or 4.1% annualized of average loans, compared with \$3.4 million, or 3.4% annualized of average loans, in the fourth quarter of 2008. Net charge-offs totaled \$2.2 million in the fourth quarter of 2009, compared with \$2.8 million in the fourth quarter of 2008.

Total non-interest income declined \$505,000, or 26.7%, in the fourth quarter of 2009 to \$1.4 million, compared with \$1.9 million in the fourth quarter of the prior year. The decline in non-interest income was due to lower service charges, credit life insurance income and other income.

Non-interest expense increased 4.0% to \$7.0 million in the fourth quarter of 2009, compared with \$6.8 million in the fourth quarter of 2008. Salary and employee benefits rose only 2.5%, due primarily to increased healthcare costs. Other expenses rose 4.8% to \$2.8 million due to higher FDIC insurance premiums and costs related to OREO.

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. With respect to 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 Per Share Data)

| | December 31, 2009 | December 31, 2008 |
|--|----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| ASSETS | | |
| Cash and Due from Banks | \$12,323 | \$13,246 |
| Interest-Bearing Deposits in Other Banks | 126 | 126 |
| | ----- | ----- |
| Cash and Cash Equivalents | 12,449 | 13,372 |
| Federal Funds Sold | 4,545 | 1,105 |
| Investment Securities Available-for-Sale, at fair market value | 194,754 | 184,213 |
| Investment Securities Held-to-Maturity, at fair market value | 1,250 | 0 |
| Federal Home Loan Bank Stock | 5,700 | 5,236 |
| Loans, net of allowance for loan losses of \$10,004 and \$8,532, respectively | 402,504 | 399,483 |
| Premises and Equipment, net | 17,253 | 17,495 |
| Cash Surrender Value of Bank-Owned Life Insurance | 12,037 | 11,724 |
| Accrued Interest Receivable | 5,095 | 4,844 |
| Goodwill | 4,098 | 4,098 |
| Investment in Limited Partnerships | 1,925 | 1,993 |
| Other Real Estate Owned | 21,439 | 18,131 |
| Other Assets | 8,705 | 6,308 |
| | ----- | ----- |
| Total Assets | \$691,754 | \$668,002 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|--|-----------|-----------|
| Deposits | \$513,053 | \$485,117 |
| Accrued Interest Expense | 2,477 | 3,402 |
| Short-Term Borrowings | 620 | 2,294 |
| Long-Term Debt | 85,000 | 90,000 |
| Other Liabilities | 9,140 | 8,525 |
| | ----- | ----- |
| Total Liabilities | \$610,290 | \$589,338 |
| | ----- | ----- |
| Shareholders' Equity: | | |
| Common Stock, par value \$0.01 per share, 10,000,000 shares authorized; 7,317,560 shares issued; 6,017,582 and 6,018,154 shares outstanding, respectively | 73 | 73 |
| Surplus | 9,233 | 9,233 |
| Accumulated Other Comprehensive Income, net of tax | 4,316 | 2,476 |
| Retained Earnings | 88,969 | 87,999 |
| Less Treasury Stock: 1,299,978 and 1,299,406 shares at cost, respectively | (21,127) | (21,117) |
| | ----- | ----- |
| Total Shareholders' Equity | \$81,464 | \$78,664 |
| | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$691,754 | \$668,002 |
| | ===== | ===== |

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

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--------------------------------------|------------------------------------|----------|-------------------------------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- |
| | (Unaudited) | | (Unaudited) | |
| INTEREST INCOME: | | | | |
| Interest and Fees on Loans | \$9,645 | \$10,421 | \$38,795 | \$43,281 |
| Interest on Investment Securities | 2,111 | 2,294 | 8,679 | 8,835 |
| | ----- | ----- | ----- | ----- |
| Total Interest Income | 11,756 | 12,715 | 47,474 | 52,116 |
| | ----- | ----- | ----- | ----- |
| INTEREST EXPENSE: | | | | |
| Interest on Deposits | 2,066 | 2,933 | 9,581 | 13,107 |
| Interest on Borrowings | 826 | 938 | 3,619 | 3,805 |
| | ----- | ----- | ----- | ----- |
| Total Interest Expense | 2,892 | 3,871 | 13,200 | 16,912 |
| | ----- | ----- | ----- | ----- |
| NET INTEREST INCOME | 8,864 | 8,844 | 34,274 | 35,204 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|---|----------|--------|---------|---------|
| PROVISION FOR LOAN LOSSES | 4,244 | 3,434 | 9,101 | 8,901 |
| | ----- | ----- | ----- | ----- |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 4,620 | 5,410 | 25,173 | 26,303 |
| | ----- | ----- | ----- | ----- |
| NON-INTEREST INCOME: | | | | |
| Service and Other Charges on Deposit Accounts | 721 | 837 | 2,871 | 3,285 |
| Credit Life Insurance Income | 351 | 466 | 997 | 1,020 |
| Other Income | 312 | 586 | 3,927 | 2,158 |
| | ----- | ----- | ----- | ----- |
| Total Non-Interest Income | 1,384 | 1,889 | 7,795 | 6,463 |
| | ----- | ----- | ----- | ----- |
| NON-INTEREST EXPENSE: | | | | |
| Salaries and Employee Benefits | 3,419 | 3,335 | 13,594 | 12,976 |
| Occupancy Expense | 489 | 435 | 1,901 | 1,838 |
| Furniture and Equipment Expense | 348 | 341 | 1,274 | 1,405 |
| Other Expense | 2,766 | 2,640 | 9,883 | 9,054 |
| | ----- | ----- | ----- | ----- |
| Total Non-Interest Expense | 7,022 | 6,751 | 26,652 | 25,273 |
| | ----- | ----- | ----- | ----- |
| (LOSS) INCOME BEFORE INCOME TAXES | (1,018) | 548 | 6,316 | 7,493 |
| | ----- | ----- | ----- | ----- |
| (BENEFIT FROM) PROVISION FOR INCOME TAXES | (604) | (35) | 1,562 | 2,123 |
| | ----- | ----- | ----- | ----- |
| NET (LOSS) INCOME | \$(414) | \$583 | \$4,754 | \$5,370 |
| | ===== | ===== | ===== | ===== |
| BASIC AND DILUTED NET (LOSS) INCOME PER SHARE | \$(0.07) | \$0.10 | \$0.79 | \$0.89 |
| | ===== | ===== | ===== | ===== |
| DIVIDENDS PER SHARE | \$0.11 | \$0.27 | \$0.60 | \$1.08 |
| | ===== | ===== | ===== | ===== |

SOURCE United Security Bancshares, Inc.

