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Quarterly Update & Financial Summary

September 19, 2014



United Bank
Your Hometown Advantage[®] 

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PO Box 8
Atmore, AL 36504

Message from the President

Dear Fellow Shareholder:

United Bank reported earnings of \$961,000 for the period ended June, 30, 2014, on total assets of \$497 million. Capital remains strong, with the key Tier I Leverage Ratio at 9.28%. A more detailed presentation of the bank's financial performance is included on the following page.

If you recall last year I mentioned a bank-wide effort to identify areas where, as a staff, we could impact revenue and expenses. In the second quarter of this year we launched a check cashing service in our branches that resulted in more than \$11,000 in income from April to June. That number doesn't seem significant until you compare it to the \$2,300 we made during the first six months of 2013. We are seeing the same kind of improvement in multiple areas – from reduced expenses for courier fees to increased interest and fee income following a branch-wide credit card focus. These were the result of employee suggestions.

Of significant note is our reduction in expenses related to ORE of almost 50% from the previous year. Combined, these efforts have resulted in significant improvement in net earnings through the same period in 2013.

I am pleased with our progress, but I am determined to continue our momentum.

Since my last note on fraud and security, we've seen disturbing reports on cyber-attacks impacting retail, healthcare and

Third Quarter Initiatives

The introduction of a an enhanced suite of Mobile Banking solutions, including remote mobile check deposit, peer-to-peer transfers and dedicated iPhone and Android apps. Increased marketing of the Bank's insurance and trust services.

financial sectors. While United Bank was not directly impacted by these incidents, they emphasize the importance of monitoring accounts and keeping personal information and passwords safe. Our introduction of debit card fraud monitoring in the third quarter is another way United Bank is working to help prevent similar issues for our clients. One valuable tool I'd like to share is the Identity Theft page from the Federal Trade Commission. The page can be found at <http://www.consumer.ftc.gov/>

I hope you will continue to count on United Bank as a resource for information about your financial concerns. I thank you for your support, and I look forward to sharing our progress.

Sincerely

Robert R. Jones, III
President and CEO

Financial Overview

Total Assets, as of June 30, are \$497 million and have grown 4% from the previous year. Loans have increased \$10.5 million along with \$9.2 million of growth in deposits since the end of 2013. United's capital remains strong with a leverage ratio of 9.28%.

The increase in loans as compared to the same period the prior year includes growth in a wide range of loan types that have been strategically targeted. While loans have grown, the highly-competitive, low-rate environment has put downward pressure on yields and has resulted in a 4% decrease in loan income. United has deployed liquidity into investment securities resulting in an increase in investment income. Interest paid on deposits declined 15%, to \$715 thousand, and helped offset the lower loan-related income. Net interest income -- interest income minus interest expense -- realized in the first six months of 2014 is approximately \$7.4 million. Net interest income is commonly divided by average interest-earning assets (primarily loans plus investment securities) to arrive at the net interest margin. Through June 30, 2014, the net interest margin for United was 3.44% and was equal to the results as of June 30, 2013.

Loan provisions totaled \$250 thousand for the six months period, a 16% improvement from 2014, as asset quality and risk metrics associated with the loan portfolio have continued to improve. Non-interest income, net of gains on the sale of securities, has increased 9%, as strategic initiatives have added to profitability. Non-interest expenses decreased 1%. These items have resulted in net earnings of \$961 thousand through the six months ended June 30, 2014.

Select Financial Ratios

(unaudited)

	For the Six Months Ended June 30	
	2014	2013
Earnings:		
Net Interest Margin	3.44%	3.44%
Return on Assets	0.39%	0.34%
Capital:		
Tier I Leverage	9.28%	9.09%
Tier I Capital	15.17%	14.56%
Risk Based Capital	16.42%	15.82%
Liquidity:		
Loans to Deposits	59.06%	60.46%

Condensed Balance Sheet

(unaudited)
(\$ in thousands)

	June 30	
	2014	2013
Assets		
Cash and due from banks	\$ 61,550	\$ 66,038
Investment securities	134,503	114,448
Loans, net of reserve	259,485	254,765
Fixed assets	14,921	15,542
Interest receivable	2,099	1,965
Other real estate	8,835	9,178
Other assets	15,499	16,027
Total assets	<u>\$ 496,892</u>	<u>\$ 477,963</u>
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 163,346	\$ 151,888
Interest bearing	281,735	276,324
Total deposits	445,081	428,212
FHLB advances	727	880
Interest payable	151	177
Other liabilities	2,084	1,679
Total liabilities	448,043	430,948
Total stockholders' equity	48,849	47,015
Total liabilities and stockholders' equity	<u>\$ 496,892</u>	<u>\$ 477,963</u>

Condensed Income Statement

(unaudited)
(\$ in thousands)

	Six Months Ended June 30	
	2014	2013
Interest income:		
Loans, including fees	\$ 7,108	\$ 7,384
Securities income	953	686
Short-term investments	67	84
Total interest income	8,128	8,154
Interest expense:		
Deposits	715	843
Borrowings	22	42
Total interest expense	737	885
Net interest income	7,391	7,269
Provision for loan losses	250	298
Net interest income after provision for loan losses	7,141	6,971
Non-interest income	2,479	2,600
Non-interest expense	8,286	8,392
Taxable earnings	1,334	1,179
Income tax expense	373	379
Net earnings	<u>\$ 961</u>	<u>\$ 800</u>

Directors

David D. Swift, Chairman
Michael R. Andreoli, Vice Chairman
Robert R. Jones III, President & CEO
Walter Crim Dale M. Ash
Richard K. Maxwell Ricky W. Smith

Directors Emeritus

Robert H. Maxwell Willie W. Saucer
William J. Justice Eddie L. Tullis

Locations

Atmore 251-446-6100
200 East Nashville Ave. & 105 Lindberg Ave.

Bay Minette
404 Courthouse 251-937-0052
615 McMeans Ave. 251-580-2729

Floaton 251-296-3493
705 Sidney Manning Blvd.

Foley 251-943-2020
516 S McKenzie St.

Frisco City 251-267-3161
4285 Bowden St.

Lillian 251-962-2010
34354 US Hwy 98

Loxley 251-964-6220
1059 W Loxley Ave,

Magnolia Springs 251-965-4040
12512 Co Rd 49

Monroeville 251-743-3161
1588 S Alabama Ave.

Silverhill 251-945-1902
21950 Broad St

Summerdale 251-989-9070
1015 Southwest 1st St.

Spanish Fort/Eastern Shore Ctr 251-621-1229
30500 Hwy 181 Ste. 100

Jay, FL 850-675-6000
14038 Alabama St.

Milton, FL 850-981-3352
5907 Berryhill Road

Pace, FL 850-994-2301
3615 Highway 90