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Quarterly Update & Financial Summary



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 \$799,593 for the quarter ended June 30, 2013, on total assets of \$477,962,124. Capital remains strong, with the key Tier I Leverage Ratio at 9.10%. A more detailed presentation of the bank's financial performance is included on the following page.

Interest rates remain at historic lows which have and continue to negatively impact the bank's Net Interest Margin. Asset quality continues to improve creating opportunities to deploy the bank's strong liquidity into higher yielding assets. Along with this strategy, the bank continues to closely control expenses and aggressively seek new loans. These activities should have a positive effect on the second half of the year.

At our annual meeting I discussed the regulatory pressures on community banking. Recently, there have been positive signs that efforts on behalf of the industry may be having an effect. Should this trend continue, it would provide much needed relief to the bank, remove uncertainty and allow us to manage the bank for better returns and service to our customers.

Switching gears, I want to share how encouraged I have been by the positive outlook and energy I am finding in our markets. In almost every sector our

Third Quarter Initiatives

To take advantage of back to school shopping and the approaching 2013 holiday season, we will hold a Credit Card Campaign through the third quarter.

An aggressive online banking and mobile banking makeover will begin in the third quarter with the addition of mobile apps, image deposit and personal financial management tools.

clients tell us their business revenues are improving. United Bank is positioning itself—with products, pricing and talent—to capitalize on this new optimism.

I would call your attention to our Third Quarter Initiatives. In addition to those items, we continue to make strategic investments in the bank's technology and delivery capabilities.

Thank you for your continued support of United Bank. As always, please feel free to contact me if you have any questions.

Sincerely,

Robert R. Jones, III
President and CEO

Financial Overview

Total Assets, as of June 30, are \$478 million and have grown 4% from the previous year. Loans have decreased nearly \$10 million during the same period. Deposits have increased approximately \$18 million. The growth in United's balance sheet has it poised to take advantage of quality lending opportunities as they arise. While balance sheet growth has also reduced the leverage ratio to 9.10%, United's capital remains strong.

The decrease in loans has been driven by seasonal paydowns from clients as well as an emphasis on asset quality and interest margin management by the bank. Competition in the lending market, along with lower rates, has put downward pressure on yields and has resulted in a 7% decrease in loan income. Continued reduction in deposit expense to \$843 thousand has helped counter the loss of loan income. These efforts have resulted in net interest income of \$8.1 million and a net interest margin of 3.44% for the six months ended June 30, 2013. Loan provisions totaled \$298 thousand for the six months period, a 40% improvement from 2012, as asset quality and risk metrics associated with the loan portfolio improved. Non-interest expenses increased 6% due to costs associated with other real estate resolution. These items have resulted in net earnings of \$800 thousand through June 30, 2013.

As the economy slowly improves, United Bank will focus on attracting quality loan relationships and maintaining adequate capital.

Select Financial Ratios

(unaudited)

	For the Six Months Ended June 30	
	2013	2012
Earnings:		
Net Interest Margin	3.44%	3.68%
Return on Assets	0.34%	0.35%
Capital:		
Tier I Leverage	9.10%	9.22%
Tier I Capital	14.28%	14.27%
Risk Based Capital	15.53%	15.53%
Liquidity:		
Loans to Deposits	60.46%	65.81%

Condensed Balance Sheet

(unaudited)
(\$ in thousands)

	June 30	
	2013	2012
Assets		
Cash and due from banks	\$ 66,038	\$ 66,586
Investment securities	114,448	93,187
Loans, net of reserve	254,764	264,722
Fixed assets	15,542	15,709
Interest receivable	1,965	1,839
Other real estate	9,178	7,786
Other assets	16,027	10,975
Total assets	<u>\$ 477,962</u>	<u>\$ 460,804</u>
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 151,888	\$ 132,819
Interest bearing	276,324	276,917
Total deposits	428,212	409,736
FHLB advances	880	1,033
Interest payable	177	238
Other liabilities	1,678	2,006
Total Liabilities	430,947	413,013
Total stockholders' equity	47,015	47,791
Total liabilities and stockholders' equity	<u>\$ 477,962</u>	<u>\$ 460,804</u>

Condensed Income Statement

(unaudited)
(\$ in thousands)

	Six Months Ended June 30	
	2013	2012
Interest income:		
Loans, including fees	\$ 7,384	\$ 7,956
Securities income	686	667
Short-term investments	84	69
Total interest income	8,154	8,692
Interest expense:		
Deposits	843	1,227
Borrowings	42	39
Total interest expense	885	1,266
Net interest income	7,269	7,426
Provision for loan losses	298	500
Net interest income after provision for loan losses	6,971	6,926
Non-interest income	2,600	3,116
Non-interest expense	8,392	8,925
Taxable Earnings	1,179	1,117
Income tax expense	379	321
Net Earnings	<u>\$ 800</u>	<u>\$ 796</u>

Directors

David D. Swift, Chairman
Michael R. Andreoli, Vice Chairman
Robert R. Jones III, President & CEO
Walter Crim
Richard K. Maxwell

Dale M. Ash
Ricky W. Smith

Directors Emeritus

Robert H. Maxwell
Claude S. Swift
William J. Justice

Willie W. Saucer
Eddie L. Tullis

Locations

Atmore 200 East Nashville Ave. & 105 Lindberg Ave.	251-446-6100
Bay Minette 404 Courthouse 615 McMeans Ave.	251-937-0052 251-580-2729
Floamatton 705 Sidney Manning Blvd.	251-296-3493
Foley 516 S McKenzie St.	251-943-2020
Frisco City 4285 Bowden St.	251-267-3161
Lillian 34354 US Hwy 98	251-962-2010
Loxley 1059 W Loxley Ave,	251-964-6220
Magnolia Springs 12512 Co Rd 49	251-965-4040
Monroeville 1588 S Alabama Ave.	251-743-3161
Silverhill 21950 Broad St	251-945-1902
Summerdale 1015 Southwest 1st St.	251-989-9070
Spanish Fort/Eastern Shore Ctr 30500 Hwy 181 Ste. 100	251-621-1229
Jay, FL 14038 Alabama St.	850-675-6000
Milton, FL 5907 Berryhill Road	850-981-3352
Pace, FL 3615 Highway 90	850-994-2301