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# Quarterly Update & Financial Summary



**United Bank**   
*Your Hometown Advantage*<sup>®</sup>

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*Your Hometown Advantage*<sup>®</sup>

PO Box 8  
Atmore, AL 36504

## Message from the President

Dear Fellow Shareholder:

United Bank reported earnings of \$1,255,000 for the quarter ended September, 30, 2013, on total assets of \$481,329,000. Capital remains strong, with the key Tier I Leverage Ratio at 9.21%. A more detailed presentation of the bank's financial performance is included on the following page.

In my previous letter I mentioned how improving asset quality and a continued effort to control expenses would impact the second half of the year. For the third quarter, the bank saw a 78% reduction in expenses related to problem loans and bank-owned property when compared to the second quarter. Our focus on asset resolution resulted in the bank having to set aside a much smaller reserve over the last three months. These efforts contributed toward a 9% total reduction in non-interest expense and an overall growth of 17% in net income when compared to June 30 figures.

The savings I just mentioned are only one example of our resolve to move the bank forward and to address the challenges we face from increased regulations and historically low rates. The ripple effect from an unexpected government shutdown will also impact consumer sentiment.

To meet these challenges, more than 60 employees from across the bank began a formal effort in September to address our

processes, fees and structure to position the bank for growth and to improve efficiency.

### Fourth Quarter Initiatives

Focus on Mortgage Financing and the advantages United Bank has with technology and product options.

Continued movement toward adoption of a new online banking experience with mobile and image deposit capability. In conjunction, a redesign of the United Bank website will take place.

Some of their recommendations were implemented immediately while others are still in process. A combination of short and long-term recommendations should improve loan growth, further reduce expenses and increase our margins. The addition of new products and partnerships – like that of The Trust Company of Stern Agee, Inc., just announced – will enhance our suite of offerings and improve the customer experience.

Your feedback and recommendations are a critical complement to these internal efforts, and I want to thank you for your continued communication and support. 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 September 30, are \$481 million and have grown 5% from the previous year. Loans have decreased during the same period as the result of several factors. Continued resolution of problem assets and a limited number of pay downs on larger credits are the primary reason for the decline in loans outstanding. Prevailing economic and fiscal uncertainty also serve as a constraint on growth and limit new credit opportunities. The combination of loan volume and the continuation of the lower, short term interest rate environment have resulted in an 8% decrease in loan income.

Deposits have increased approximately \$24 million. United's focus on managing the net interest margin has resulted in the continued reduction in deposit expense to \$1.2 million. These efforts have resulted in net interest income of \$11 million and a net interest margin of 3.46% for the nine months ended September 30, 2013. Loan provisions for the nine months period represent a 64% improvement from 2012, as asset quality and risk metrics associated with the loan portfolio improved. Non-interest expenses decreased 2% due to costs associated with other real estate resolution. These items have resulted in net earnings of \$1.255 million through September 30, 2013.

United's Balance Sheet is positioned to take advantage of quality lending opportunities and to realize earnings growth when interest rates rise. United remains focused on maintaining a strong capital position. The current leverage ratio of 9.21% is representative of this priority.

### Select Financial Ratios

(unaudited)

	For the Nine Months Ended September 30	
	2013	2012
<b>Earnings:</b>		
Net Interest Margin	3.46%	3.59%
Return on Assets	0.35%	0.27%
<b>Capital:</b>		
Tier I Leverage	9.21%	9.36%
Tier I Capital	14.71%	13.91%
Risk Based Capital	15.97%	15.16%
<b>Liquidity:</b>		
Loans to Deposits	60.22%	69.65%

## Condensed Balance Sheet

(unaudited)  
(\$ in thousands)

	September 30	
	2013	2012
<b>Assets</b>		
Cash and due from banks	\$ 64,462	\$ 50,063
Investment securities	118,751	95,609
Loans, net of reserve	255,358	275,259
Fixed assets	15,413	15,725
Interest receivable	2,137	2,305
Other real estate	9,091	8,483
Other assets	16,117	10,510
Total assets	<u>\$ 481,329</u>	<u>\$ 457,954</u>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Non-interest bearing	\$ 150,191	\$ 131,147
Interest bearing	280,710	275,551
Total deposits	430,901	406,698
FHLB advances	826	979
Interest payable	175	228
Other liabilities	2,224	1,810
Total Liabilities	434,126	409,715
Total stockholders' equity	47,203	48,239
Total liabilities and stockholders' equity	<u>\$ 481,329</u>	<u>\$ 457,954</u>

## Condensed Income Statement

(unaudited)  
(\$ in thousands)

	Nine Months Ended June 30	
	2013	2012
Interest income:		
Loans, including fees	\$ 11,083	\$ 12,046
Securities income	1,079	965
Short-term investments	117	95
Total interest income	12,279	13,106
Interest expense:		
Deposits	1,240	1,771
Borrowings	60	62
Total interest expense	1,300	1,833
Net interest income	10,979	11,273
Provision for loan losses	448	1,250
Net interest income after provision for loan losses	10,531	10,023
Non-interest income	3,778	4,197
Non-interest expense	12,467	12,675
Taxable Earnings	1,842	1,545
Income tax expense	587	419
Net Earnings	<u>\$ 1,255</u>	<u>\$ 1,126</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	251-446-6100
200 East Nashville Ave. & 105 Lindberg Ave.	
Bay Minette	251-937-0052
404 Courthouse	251-580-2729
615 McMeans Ave.	
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	