

UNITED SECURITY BANCSHARES

Form 10-Q

August 05, 2013

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO .

Commission file number: 000-32897

UNITED SECURITY BANCSHARES

(Exact name of registrant as specified in its charter)

CALIFORNIA

(State or other jurisdiction of incorporation or organization)

91-2112732

(I.R.S. Employer Identification No.)

2126 Inyo Street, Fresno, California

(Address of principal executive offices)

93721

(Zip Code)

Registrants telephone number, including area code (559) 248-4943

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Small reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of the Common Stock held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter - June 30, 2013: \$43,148,493

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value
(Title of Class)

Shares outstanding as of July 31, 2013: 14,508,275

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PART I. Financial Information

United Security Bancshares and Subsidiaries
Consolidated Balance Sheets – (unaudited)
June 30, 2013 and December 31, 2012

(in thousands except shares)	June 30, 2013	December 31, 2012
Assets		
Cash and due from banks	\$23,754	\$27,481
Cash and due from FRB	114,515	114,146
Cash and cash equivalents	138,269	141,627
Interest-bearing deposits in other banks	1,511	1,507
Investment securities available for sale (at fair value)	25,527	31,844
Loans and leases	405,041	400,057
Unearned fees and unamortized loan origination costs	(6	) (24
Allowance for credit losses	(11,157	) (11,784
Net loans	393,878	388,249
Accrued interest receivable	1,536	1,694
Premises and equipment – net	11,922	12,262
Other real estate owned	17,221	23,932
Intangible assets	155	249
Goodwill	4,488	4,488
Cash surrender value of life insurance	16,941	16,681
Investment in limited partnerships	4,240	4,312
Deferred income taxes - net	10,146	9,724
Other assets	9,828	12,308
Total assets	\$635,662	\$648,877
Liabilities & Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$219,693	\$217,014
Interest bearing	327,408	346,273
Total deposits	547,101	563,287
Accrued interest payable	60	71
Accounts payable and other liabilities	5,911	6,010
Junior subordinated debentures (at fair value)	10,882	10,068
Total liabilities	563,954	579,436
Shareholders' Equity		
Common stock, no par value 20,000,000 shares authorized, 14,508,275 issued and outstanding at June 30, 2013, and 14,217,303 at December 31, 2012	44,416	43,173
Retained earnings	27,429	26,179
Accumulated other comprehensive (loss) income	(137	) 89
Total shareholders' equity	71,708	69,441
Total liabilities and shareholders' equity	\$635,662	\$648,877

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United Security Bancshares and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands except shares and EPS)	2013	2012	2013	2012
Interest Income:				
Loans, including fees	\$5,554	\$5,966	\$11,020	\$12,009
Investment securities – AFS – taxable	140	457	338	978
Interest on deposits in FRB	70	43	135	94
Interest on deposits in other banks	2	10	4	20
Total interest income	5,766	6,476	11,497	13,101
Interest Expense:				
Interest on deposits	331	437	742	915
Interest on other borrowings	93	72	153	136
Total interest expense	424	509	895	1,051
Net Interest Income Before Provision for Credit Losses	5,342	5,967	10,602	12,050
Provision for Credit Losses	39	1,004	30	1,006
Net Interest Income	5,303	4,963	10,572	11,044
Noninterest Income:				
Customer service fees	902	897	1,681	1,801
Increase in cash surrender value of bank-owned life insurance	140	144	277	280
Impairment loss on investment securities	—	(149)	—	(172)
(Loss) gain on fair value of financial liability	(103)	364	(660)	(112)
Gain on sale of other investment	—	1,807	—	1,807
Other	168	177	328	445
Total noninterest income	1,107	3,240	1,626	4,049
Noninterest Expense:				
Salaries and employee benefits	2,113	2,176	4,474	4,598
Occupancy expense	883	840	1,788	1,605
Data processing	33	19	93	37
Professional fees	375	439	820	683
Regulatory assessments	339	417	698	783
Director fees	59	69	117	136
Amortization of intangibles	46	79	93	170
Correspondent bank service charges	81	80	157	160
Loss on California tax credit partnership	32	81	65	184
Net cost (gain) on operation of OREO	(336)	(293)	(1,218)	329
Other	529	646	1,140	1,272
Total noninterest expense	4,154	4,553	8,227	9,957
Income Before Provision for Taxes	2,256	3,650	3,971	5,136
Provision for Taxes on Income	859	1,478	1,499	1,912
Net Income	\$1,397	\$2,172	\$2,472	\$3,224
Net Income per common share				
Basic	\$0.10	\$0.15	\$0.17	\$0.22
Diluted	\$0.10	\$0.15	\$0.17	\$0.22
Shares on which net income per common shares were based				
Basic	14,506,389	14,364,176	14,504,740	14,364,176

Diluted	14,507,783	14,364,176	14,508,329	14,364,176
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United Security Bancshares and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	
Net Income	\$1,397	\$2,172	\$2,472	\$3,224	
Unrealized holdings gains (losses) on securities	(305	) 39	(415	) 628
Unrealized gains on unrecognized post retirement costs	21	—	40	—	
Other comprehensive (loss) income, before tax	(284	) 39	(375	) 628
Tax benefit (expense) related to securities	122	15	166	(218)
Tax expense related to unrecognized post retirement costs	(8	) —	(17) —	
Total other comprehensive (loss) income	(170) 54	(226) 410	
Comprehensive income	\$1,227	\$2,226	\$2,246	\$3,634	

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United Security Bancshares and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

Common stock

Number of

Shares

(In thousands except shares)