

UNITED SECURITY BANCSHARES
Form 10-Q
May 15, 2012

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 MARCH 31, 2012

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: 000-32987

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, 2011: \$29,052,633

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 April 30, 2012: 13,667,152

1

TABLE OF CONTENTS

Facing Page

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations and Comprehensive (Loss) Income</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>		32
	<u>Overview</u>	32
	<u>Results of Operations</u>	36
	<u>Financial Condition</u>	39
	<u>Asset/Liability Management – Liquidity and Cash Flow</u>	48
	<u>Regulatory Matters</u>	50
<u>Item 4. Controls and Procedures</u>		54
PART II. Other Information		
	<u>Item 1. Legal Proceedings</u>	56
	<u>Item 1A. Risk Factors</u>	56
	<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	56
	<u>Item 3. Defaults Upon Senior Securities</u>	56
	<u>Item 4. Reserved</u>	56
	<u>Item 5. Other Information</u>	56
	<u>Item 6. Exhibits</u>	56
<u>Signatures</u>		57

Table of Contents

PART I. Financial Information

 United Security Bancshares and Subsidiaries
 Consolidated Balance Sheets – (unaudited)
 March 31 2012 and December 31, 2011

(in thousands except shares)	March 31, 2012	December 31, 2011
Assets		
Cash and due from banks	\$23,224	\$ 28,052
Cash and due from FRB	87,259	96,132
Cash and cash equivalents	110,483	124,184
Interest-bearing deposits in other banks	2,097	2,187
Investment securities available for sale (at fair value)	37,331	38,458
Loans and leases	397,752	408,715
Unearned fees	(691)	(569)
Allowance for credit losses	(13,050)	(13,648)
Net loans	384,011	394,498
Accrued interest receivable	1,730	1,946
Premises and equipment – net	12,731	12,675
Other real estate owned	26,158	27,091
Intangible assets	462	553
Goodwill	4,488	4,488
Cash surrender value of life insurance	16,278	16,150
Investment in limited partnership	1,330	1,433
Deferred income taxes - net	11,444	11,485
Other assets	15,398	16,184
Total assets	\$623,941	\$ 651,332
Liabilities & Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$219,358	\$ 224,907
Interest bearing	326,071	349,520
Total deposits	545,429	574,427
Accrued interest payable	108	111
Accounts payable and other liabilities	5,252	5,594
Junior subordinated debentures (at fair value)	9,567	9,027
Total liabilities	560,356	589,159
Shareholders' Equity		
Common stock, no par value 20,000,000 shares authorized, 13,667,152 and 13,531,832 issued and outstanding, in 2012 and 2011, respectively	41,774	41,435
Retained earnings	22,164	21,447
Accumulated other comprehensive loss	(353)	(709)
Total shareholders' equity	63,585	62,173
Total liabilities and shareholders' equity	\$623,941	\$ 651,332

See notes to consolidated financial statements

Table of Contents

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

(In thousands except shares and EPS)	Quarter Ended March 31,	
	2012	2011
Interest Income:		
Loans, including fees	\$6,041	\$6,420
Investment securities – AFS – taxable	520	597
Interest on deposits in FRB	51	51
Interest on deposits in other banks	10	10
Total interest income	6,622	7,078
Interest Expense:		
Interest on deposits	478	768
Interest on other borrowings	65	85
Total interest expense	543	853
Net Interest Income Before Provision for Credit Losses	6,079	6,225
Provision for Credit Losses	2	890
Net Interest Income	6,077	5,335
Noninterest Income:		
Customer service fees	903	867
Increase in cash surrender value of bank-owned life insurance	137	141
(Loss) gain on sale of other real estate owned	63	280