

UNITED SECURITY BANCSHARES

Form 10-Q

November 02, 2018

Table of Contents

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
^X 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
^O 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Small reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: UNITED SECURITY BANCSHARES - Form 10-Q

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

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 October 31, 2018: 16,903,290

1

Table of Contents

TABLE OF CONTENTS

Facing Page

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Income</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>9</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 42

<u>Overview</u>	<u>42</u>
<u>Results of Operations</u>	<u>43</u>
<u>Financial Condition</u>	<u>50</u>
<u>Asset/Liability Management – Liquidity and Cash Flow</u>	<u>62</u>
<u>Regulatory Matters</u>	<u>63</u>

Item 3. Quantitative and Qualitative Disclosures about Market Risk 65

Item 4. Controls and Procedures 65

PART II. Other Information

Item 1. <u>Legal Proceedings</u>	<u>67</u>
Item 1A. <u>Risk Factors</u>	<u>67</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>67</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>67</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>67</u>
Item 5. <u>Other Information</u>	<u>67</u>
Item 6. <u>Exhibits</u>	<u>67</u>

Signatures 68

Table of Contents

PART I. Financial Information

United Security Bancshares and Subsidiaries
 Consolidated Balance Sheets – (unaudited)
 September 30, 2018 and December 31, 2017

(in thousands except shares)	September 30, 2018	December 31, 2017
Assets		
Cash and non-interest bearing deposits in other banks	\$ 28,952	\$ 35,237
Due from Federal Reserve Bank ("FRB")	178,348	72,697
Cash and cash equivalents	207,300	107,934
Investment securities (at fair value)		
Available for sale ("AFS") securities	62,103	41,985
Marketable equity securities	3,624	3,737
Total investment securities	65,727	45,722
Loans	577,115	601,351
Unearned fees and unamortized loan origination costs, net	483	1,039
Allowance for credit losses	(8,798) (9,267
Net loans	568,800	593,123
Premises and equipment – net	9,875	10,165
Accrued interest receivable	9,412	6,526
Other real estate owned	5,745	5,745
Goodwill	4,488	4,488
Deferred tax assets - net	2,760	2,389
Cash surrender value of life insurance	19,935	19,752
Investment in limited partnerships	1,588	1,601
Other assets	8,398	8,391
Total assets	\$ 904,028	\$ 805,836
Liabilities & Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 315,213	\$ 307,299
Interest bearing	463,670	380,394
Total deposits	778,883	687,693
Accrued interest payable	57	44
Other liabilities	7,639	7,017
Junior subordinated debentures (at fair value)	10,403	9,730
Total liabilities	796,982	704,484
Shareholders' Equity		
Common stock, no par value; 20,000,000 shares authorized; issued and outstanding: 16,903,290 at September 30, 2018 and 16,885,615 at December 31, 2017	58,472	57,880
Retained earnings	47,852	44,182
Accumulated other comprehensive income (loss)	722	(710
Total shareholders' equity	107,046	101,352
Total liabilities and shareholders' equity	\$ 904,028	\$ 805,836

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands except shares and EPS)	2018	2017	2018	2017
Interest Income:				
Interest and fees on loans	\$8,397	\$7,978	\$24,114	\$22,782
Interest on investment securities	351	238	809	691
Interest on deposits in FRB	806	375	1,870	858
Interest on deposits in other banks	—	1	—	4
Total interest income	9,554	8,592	26,793	24,335