



## Annual Shareholders Meeting

April 23, 2009



## Today's Agenda

Call to Order

Review of Financial Performance

Earnings

Capital Adequacy

Asset Quality

FAQ (Frequently Asked Questions)

The Cease and Desist Order

Butler Wick

TARP

Dividend

Management Changes

Executive Compensation

Moving Ahead

Q&A



## Safe Harbor Statement

To the extent that this presentation or the presenters discuss expectations about future financial results or market conditions or otherwise make statements about the future, such statements are forward-looking and are based on the Company's current beliefs, expectations, forecasts or projections. Actual results may differ materially from our statements due to a number of risks and uncertainties, including those described in the Company's Form 10-K for the year ended December 31, 2008 and subsequent filings. Please refer to these SEC documents for a complete list of risk factors.

## Review of Financial Performance

## Review of Financial Performance

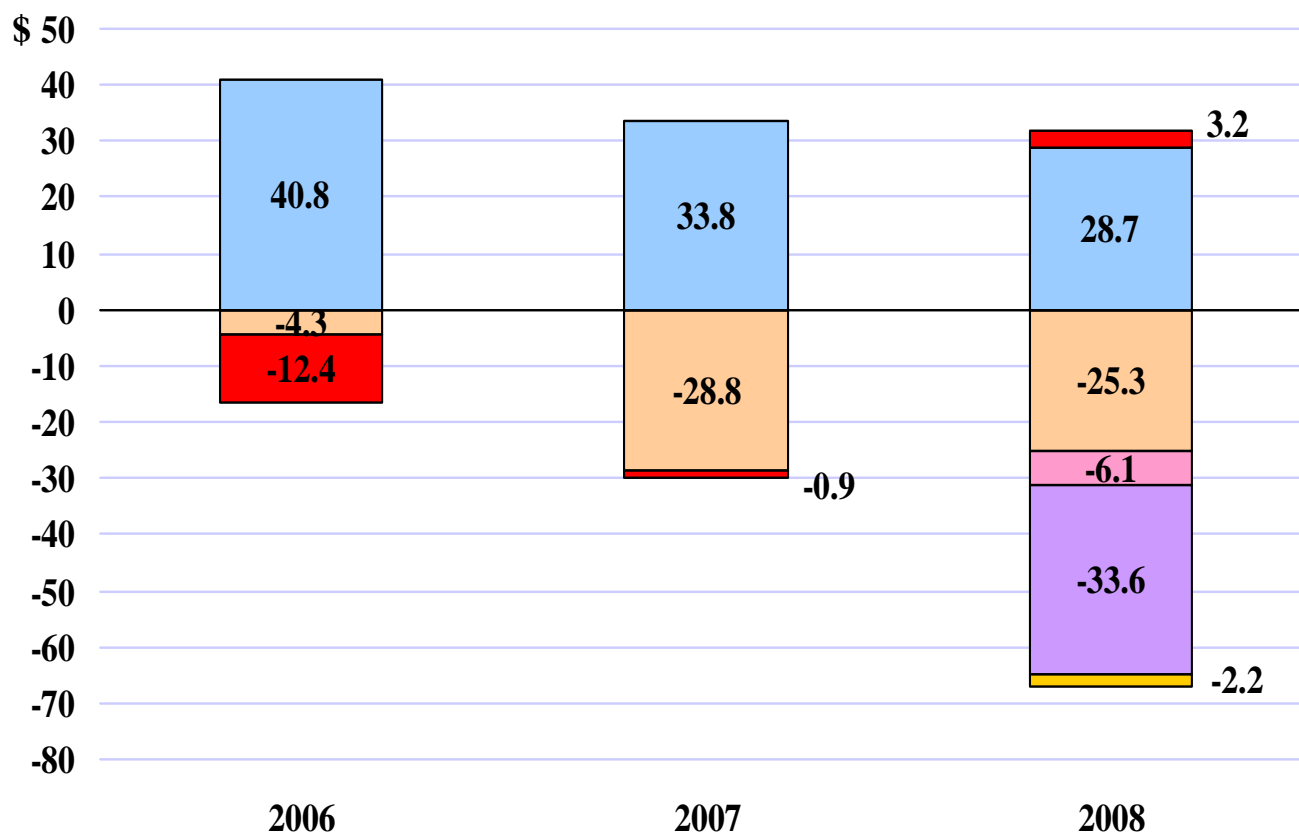
### Earnings

- The earnings engine of the company remains strong
  - Net interest income increased slightly to \$73.3MM for 2008, up from \$72.7MM the prior year
  - UCFC generated \$28.7MM in pre-tax earnings in 2008 prior to charges for goodwill, securities impairment, a revaluation of mortgage servicing rights and provision expense

# Review of Financial Performance

## UCFC Earnings Analysis <sup>(1)</sup>

Net Income (\$MM)	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$24.1	\$4.1	\$(35.3)



### Key

- UCFC income prior to tax, provision and other items
- Provision expense
- Securities charge
- Goodwill charge
- MSR Revaluation
- Income tax

Note: 1. The table above contains certain financial information determined to be a presentation not in accordance with GAAP. We have provided information about significant events that occurred during the period because we believe this information is useful to both investors and management and aids in the overall understanding of their impact on the Company's overall performance. Users should consider this financial information a supplementary tool for analysis purposes and not substitute it for GAAP net income.

## Review of Financial Performance (cont.)

### Capital Adequacy

- Home Savings effectively implemented a Capital Plan in 2008 to achieve targeted capital ratios
- As a result, targeted capital ratios were achieved by December 31, 2008:

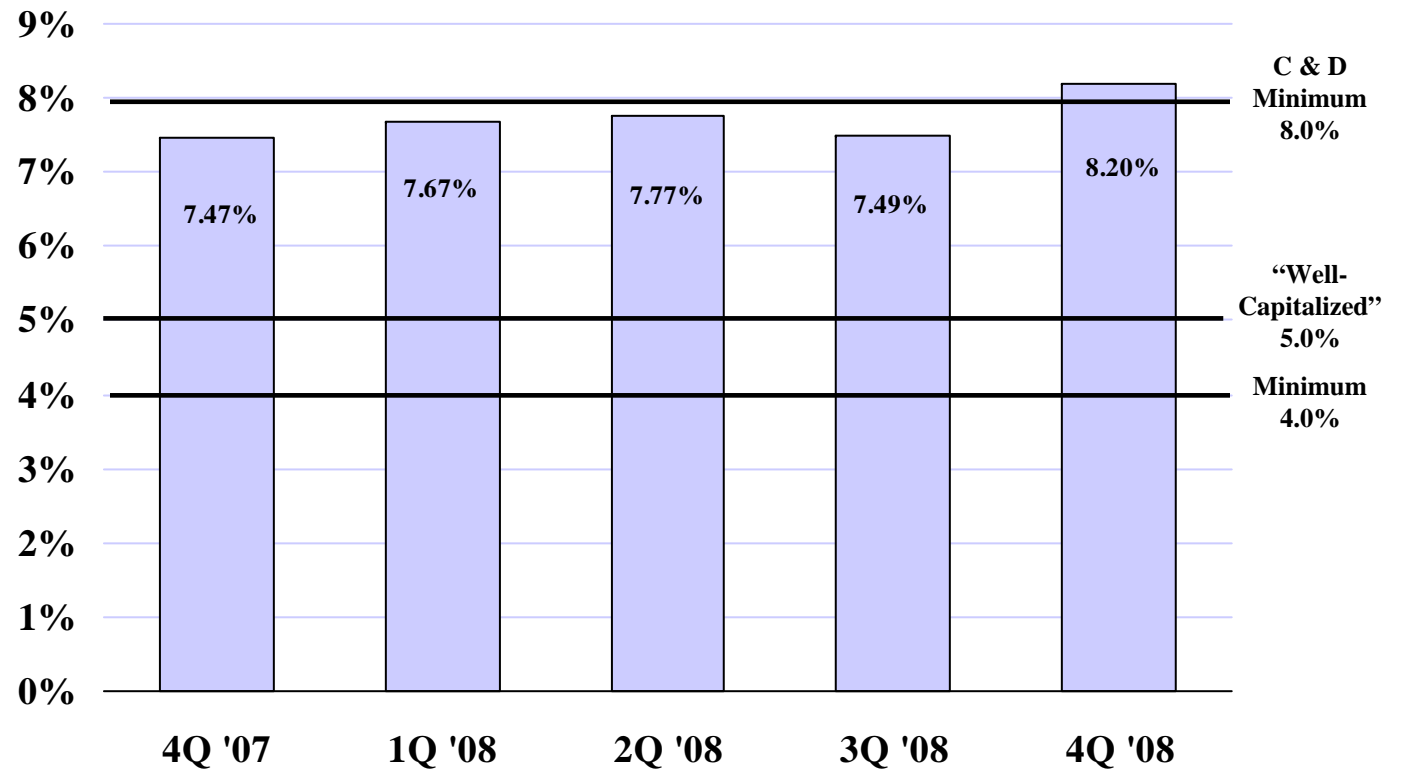
	<u>Target</u>	<u>Actual</u>
Tier 1 Leverage Ratio:	8.00%	8.20%
Total Risk-Based Capital:	12.00%	12.06%

- Management continues to monitor capital levels to ensure they remain appropriate to the Bank's risk profile, and evaluates potential capital strategies on an ongoing basis

## Review of Financial Performance (cont.)

### Capital Adequacy at Home Savings

Tier 1 Leverage Ratio (Core Capital / Average Assets)

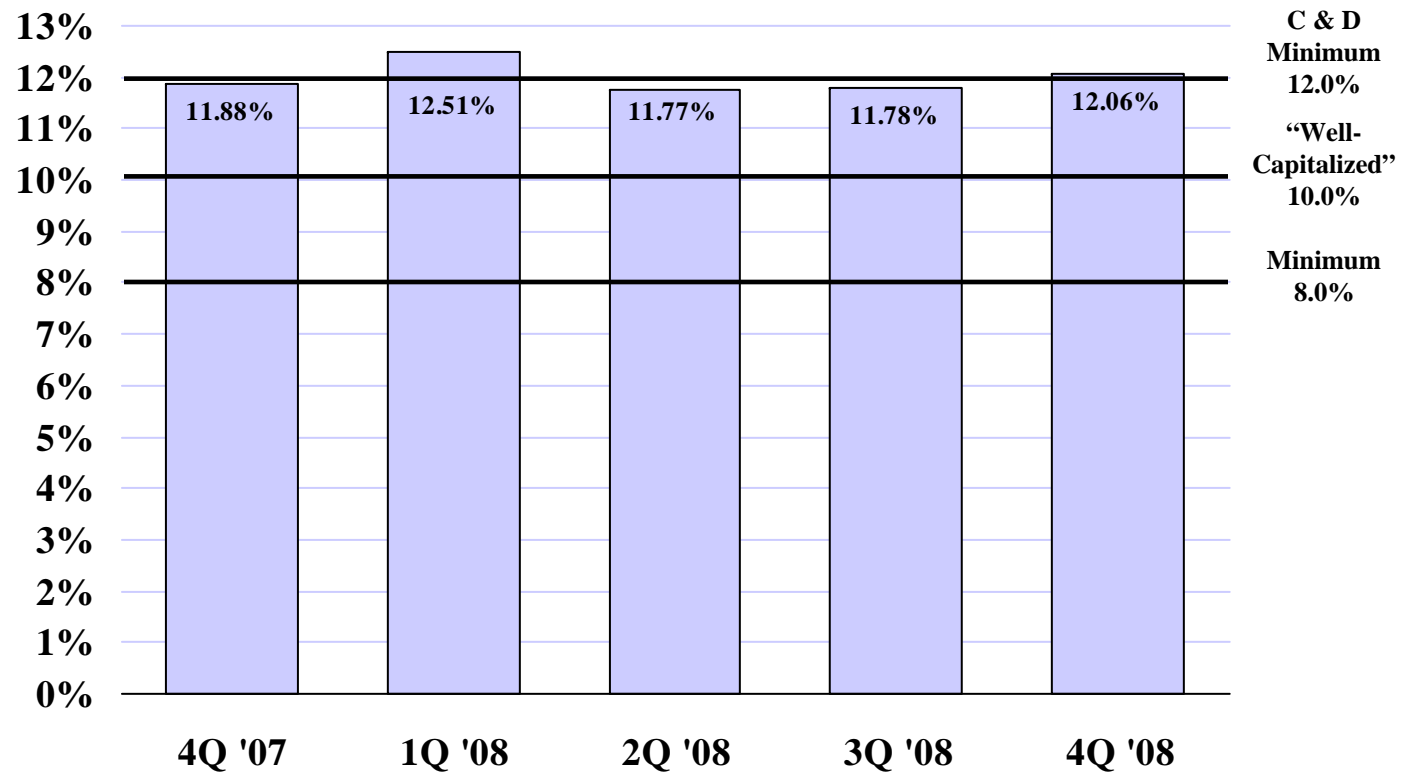




## Review of Financial Performance (cont.)

### Capital Adequacy at Home Savings

#### Total Risk-Based Capital to Risk-Weighted Assets



## Review of Financial Performance (cont.)

### Asset Quality

#### Nonperforming Assets Trend (\$MM)



#### Key

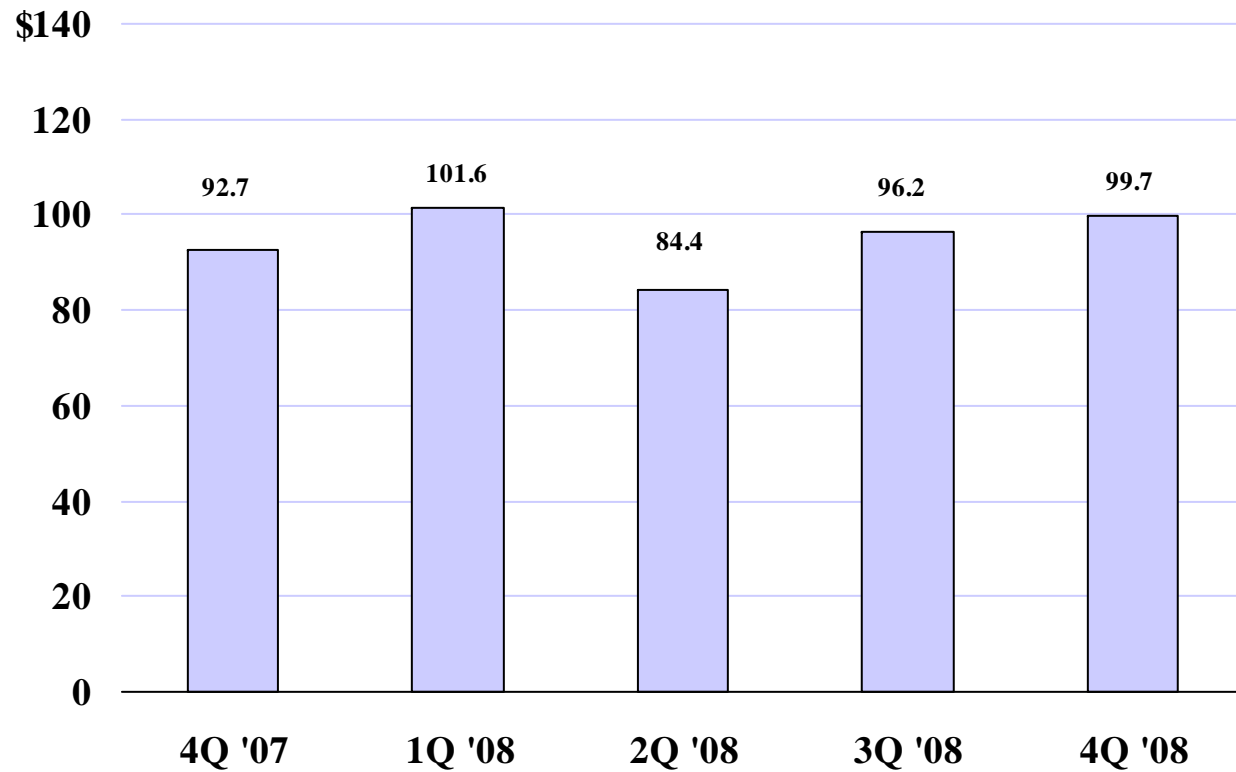
 OREO & repossessed assets

 Nonperforming loans

## Review of Financial Performance (cont.)

### Asset Quality

Delinquency Trend (90+ Days Past Due)  
(\$MM)



## FAQ (Frequently Asked Questions)

## Frequently Asked Questions

- 1) Why the C&D and what are we doing about it?
- 2) What effect did the C&D have on deposits?
- 3) Why did you sell Butler Wick?
- 4) What's going on with TARP?
- 5) What is the status of the dividend?
- 6) How has the management structure changed in the past year?
- 7) How has executive compensation been affected?

## Cease & Desist Orders

### *1) Why the C&D and what are we doing about it?*

- In August of 2008, two regulatory orders were imposed on the company:
  - The Office of Thrift Supervision imposed a C&D on United Community (the “OTS Order”)
  - The FDIC and State of Ohio imposed a C&D on Home Savings (the “Bank Order”)
- The OTS Order required prior approval for increasing debt, repurchasing stock, or paying dividends, as well as a plan to reduce holding company debt
- The Bank Order required the filing of numerous reports and plans, and imposed minimum capital ratio requirements

## The OTS Order

### Debt Reduction

- United Community has completely eliminated its holding company debt
  - At the beginning of 2008, UCFC owed a total of \$36.3MM to a large Wall Street bank
  - Over the course of 2008, the Company paid down \$29.4MM of this debt, including a payment of \$8.0MM from the proceeds of the Butler Wick & Co. transaction
  - In January 2009, the Company paid down an additional \$1.8MM of the debt
  - On March 31, 2009, the Company paid off the remaining \$5.1MM of the debt using proceeds from the sale of Butler Wick Trust

## The Bank Order

- The Bank Order had 22 specific actions to be taken by the Bank
- Specific deadlines were included for each action required
- The Bank and its Board of Directors have complied with all the actions required on or before the deadlines established in the order



## The Bank Order (cont.)

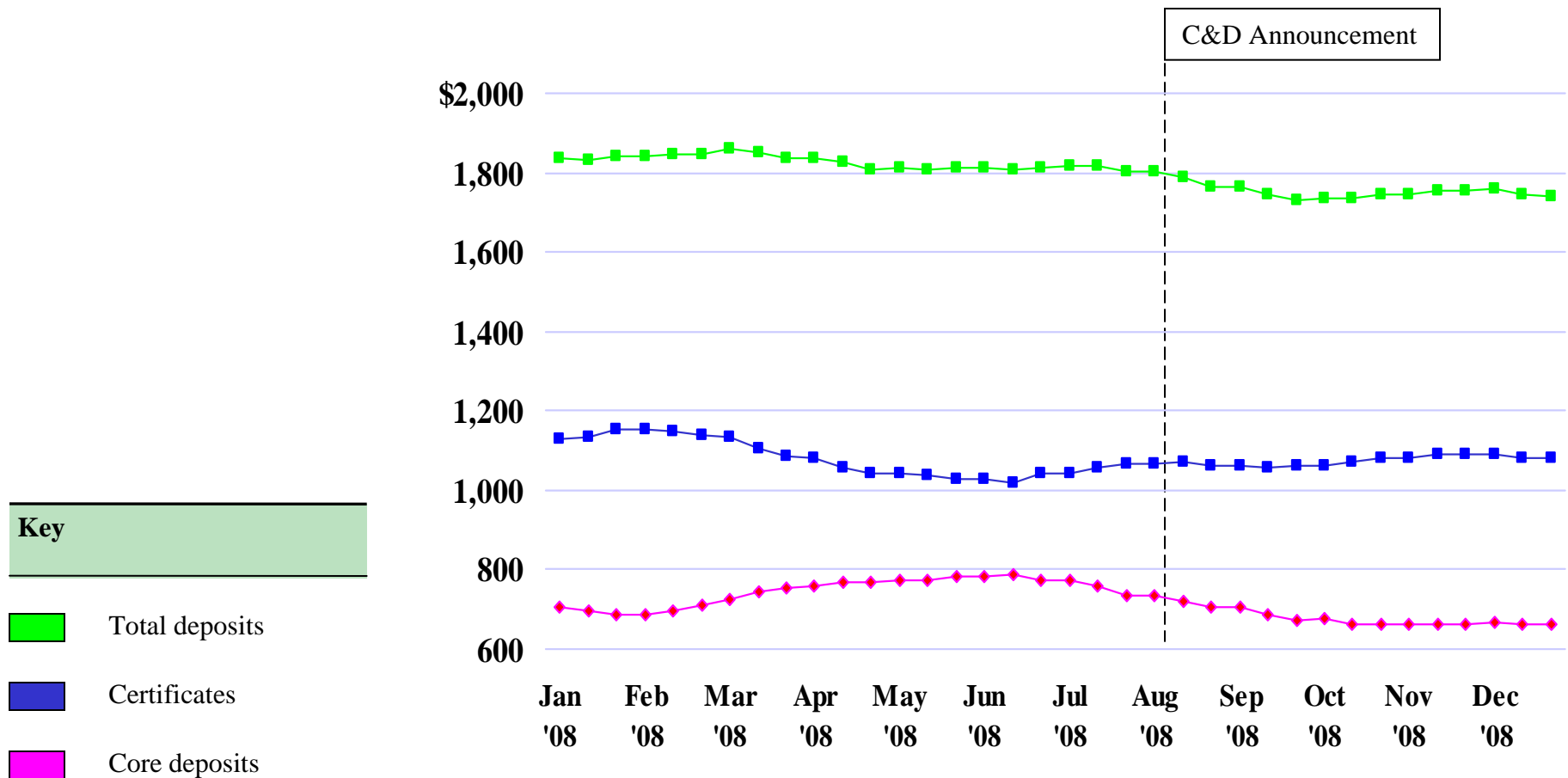
### Major Actions Required in the Order

- Develop Reduction Plans For:
  - (1) Concentration of certain credits
  - (2) Classified assets
  - (3) Delinquencies
- Revise Loan Policies
- Develop a Risk Management Plan
- Develop a Management Plan
- Prepare a Three Year Strategic Plan
- Increase Capital Ratios

## The Bank Order (cont.)

### 2) What effect did the C&D have on deposits?

Changes in CDs and Core Deposits in 2008  
(\$MM)



## Butler Wick

### *3) Why did you sell Butler Wick?*

- The Butler Wick investment never met expectations
  - Pre-sale return on investment averaged less than 4.0% per year
- In mid 2008, UCFC received an unsolicited offer to purchase Butler Wick

## Butler Wick (cont.)

### *3) Why did you sell Butler Wick?*

- Over the next 3 months, 2 outside valuations were ordered and 7 other firms expressed an interest in buying Butler Wick
- Stifel Nicolaus and Farmers National Banc Corp. were the highest and best bidders
- Sale proceeds were used to payoff debt and improve cash flow at UCFC
  - The rate of return on our Butler Wick investment wasn't even enough to cover the cost of our debt, so selling Butler Wick and paying off our debt made sense
- Post-sale: Overall Pretax ROI = 4.40%

## TARP

### *4) What's going on with TARP?*

- UCFC submitted a TARP application in October 2008
- Concerns arose in the banking community in late 2008 regarding the U.S. Treasury's unilateral right to change the terms of the program
  - These concerns were realized in 2009
- In addition, regulators had indicated that matching capital infusions might be necessary
  - Our analysis indicated that these infusions would be highly dilutive to shareholders
  - Since the Company had already met its capital goals without the program, we decided to withdraw our application

## Dividends

### *5) What is the status of the dividend?*

- Under the OTS Order, United Community is prohibited from paying dividends without the approval of the OTS
- In the fourth quarter of 2008, the Company obtained approval to pay a stock dividend to its shareholders
- Going forward, the Company will continue to assess its ability to pay dividends against its obligations to be a source of strength to Home Savings

## Management Changes

### *6) How has the management structure changed?*

- There have been a number of management changes at United Community and Home Savings
  - In May of 2008, the company hired James Reske as CFO and Treasurer of both United Community and Home Savings
  - In February 2009, United Community announced the retirement of David Lodge, its President and COO
  - In April of 2009, Home Savings announced the promotion of Patrick Bevack from President and COO to President and CEO
  - In April of 2009, Home Savings hired Greg Krontiris as Chief Lending Officer

## Executive Compensation

### *7) How has executive compensation been affected?*

- Total compensation of all bank executives has been significantly reduced over the past 2 years. In particular:
  - Douglas McKay - down 42%
  - Patrick Bevack - down 26%
- Base salaries for senior executives have been frozen for last 2 years
- All bonuses have been eliminated for 2008
- Board fees for insiders have been eliminated



Moving Ahead

## Moving Ahead

- What sort of priorities will you be focused on in 2009?
  - Do all that we can to get the C&D lifted
  - Focus on resolving credit quality weaknesses until the job is done
  - Emphasize risk management and prudent capital management over growth

## Moving Ahead (cont.)

- What sort of priorities will you be focused on in 2009 (cont.)?
  - Capitalize on our strengths, control operating expenses and provide exceptional service to our customers
  - Rebuild value for shareholders in the short and long term

## Our Strategic Goals

Goals	Comments
Retrench	<ul style="list-style-type: none"> <li>Contract and conserve</li> </ul>
Endure	<ul style="list-style-type: none"> <li>Weather the storm</li> </ul>
Recover	<ul style="list-style-type: none"> <li>Regain health and strength</li> </ul>
Rebuild	<ul style="list-style-type: none"> <li>Develop a company better able to withstand risk: credit, interest rate, liquidity, economic, legislative and reputational</li> </ul>
Thrive	<ul style="list-style-type: none"> <li>Prosper by managing growth, capital, earnings, customer satisfaction and shareholder value</li> </ul>

## Election Results

Questions and Comments

# **Annual Meeting of Shareholders**

**April 23, 2009**