



UNITED LABOR BANK f.s.b.
E X E C U T I V E O F F I C E S

October 1, 2009

To: Our Valued Clients

Ah, Friday! This used to be one of the best days of the week. We would plan dinner and a movie with that special someone. A time for families to come together, grandchildren would visit, or we would take that special day trip.

To us in the banking world Fridays have become significant in other ways. Friday is now the day that we look to see who of our banking brethren have failed and have been taken over by the regulators and the FDIC. So far this year, the FDIC has resolved (*their word*) over 94 large, regional, and community banks and thrifts. And, if that is not enough to sober you, the FDIC reports that they have an additional 200+ on their troubled (*again their word*) list of banks yet to be resolved. United Labor Bank is **NOT** one of those banks.

These staggering numbers do not make me feel comfy that the recession is over and has given validation to some economist's theory that this cycle will not be a "V" but a "W" with two low points. Some believe that we are entering the second trough. There are other strong indicators to support this theory: housing values are still declining, unemployment has not rebounded, and retail sales are still weak. As a point in fact, I noticed in San Francisco this week that the City is putting up Christmas decorations at the end of September at the request of the retail merchants. They are in hopes of getting people to open their pocket books early. So we are now extending the holiday season by 60 days?

I still believe that this is not a time for irrational exuberance, but a time to remain calm and conservative with our financial dealings. We must remember that there is a lagging effect to changes in the economic environment. We believe that we could continue with the current weak economy for another 18 months.

At United Labor Bank we continue to be profitable, strong, and safe - but we also have tighten our belts during this economic cycle. Our commitment to you is that we will stay the course of being conservative and the safe depository for your funds. We continue to be a strong, safe, and well capitalized bank serving your banking needs.

Malcolm F. Hotchkiss
President & Chief Executive Officer