

UNITED BANCORP INC /OH/  
Form 10-Q  
November 10, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-16540

UNITED BANCORP, INC.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of  
incorporation or organization)

34-1405357  
(IRS Employer Identification No.)

201 South Fourth Street, Martins Ferry, Ohio 43935-0010

\_\_\_\_\_  
(Address of principal executive offices)

(740) 633-0445

\_\_\_\_\_  
(Registrant's telephone number, including area code)

N/A

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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 requirements 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

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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 or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer,” and “small reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

Indicate the number of shares outstanding of the issuer’s classes of common stock as of the latest practicable date: As of November 9, 2011, 5,361,154 shares of the Company’s common stock, \$1.00 par value, were issued and outstanding.

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## ITEM 1. Financial Statements

United Bancorp, Inc.  
Condensed Consolidated Balance Sheets  
(In thousands, except share data)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Cash and due from banks	\$ 4,878	\$ 5,006
Interest-bearing demand deposits	14,206	5,929
Cash and cash equivalents	19,084	10,935
Certificates of deposit in other financial institutions	—	2,564
Available-for-sale securities	82,363	96,155
Held-to-maturity securities	4,555	6,331
Loans, net of allowance for loan losses of \$3,061 and \$2,740 at September 30, 2011 and December 31, 2010, respectively	275,856	276,037
Premises and equipment	9,938	9,278
Federal Home Loan Bank stock	4,810	4,810
Foreclosed assets held for sale, net	2,214	1,912
Intangible assets	453	543
Accrued interest receivable	1,403	1,441
Deferred income taxes	589	801
Bank-owned life insurance	10,583	10,401
Other assets	2,241	2,227
<b>Total assets</b>	<b>\$ 414,089</b>	<b>\$ 423,435</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Demand	\$ 134,617	\$ 131,600
Savings	55,567	52,463
Time	133,495	141,383
<b>Total deposits</b>	<b>323,679</b>	<b>325,446</b>
Short-term borrowings	13,358	11,843
Federal Home Loan Bank advances	33,631	43,450
Subordinated debentures	4,000	4,000
Interest payable and other liabilities	2,778	3,115
<b>Total liabilities</b>	<b>377,446</b>	<b>387,854</b>
<b>Stockholders' Equity</b>		
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued	—	—
Common stock, \$1 par value; authorized 10,000,000 shares; issued 5,370,304 shares	5,370	5,370

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Additional paid-in capital	18,019	20,133
Retained earnings	17,599	15,308
Stock held by deferred compensation plan; 2011 – 193,967 shares, 2010 – 176,392 shares	(1,804 )	(1,657 )
Unearned ESOP compensation	(2,130 )	(2,311 )
Accumulated other comprehensive loss	(300 )	(707 )
Treasury stock, at cost 2011 – 9,150 shares, 2010 – 45,717 shares	(111 )	(555 )
Total stockholders' equity	36,643	35,581
Total liabilities and stockholders' equity	\$ 414,089	\$ 423,435

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.  
Condensed Consolidated Statements of Income  
(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(Unaudited)			
<b>Interest and dividend income</b>				
Loans, including fees	\$4,415	\$4,493	\$13,194	\$13,022
Taxable securities	356	443	1,113	1,906
Non-taxable securities	247	367	831	1,166
Federal funds sold	4	24	15	57
Dividends on Federal Home Loan Bank stock and other	49	76	168	295
<b>Total interest and dividend income</b>	<b>5,071</b>	<b>5,403</b>	<b>15,321</b>	<b>16,446</b>
<b>Interest expense</b>				
<b>Deposits</b>				
Demand	27	34	92	130
Savings	15	15	49	65
Time	698	1,018	2,143	3,324
<b>Borrowings</b>	<b>401</b>	<b>515</b>	<b>1,333</b>	<b>1,582</b>
<b>Total interest expense</b>	<b>1,141</b>	<b>1,582</b>	<b>3,617</b>	<b>5,101</b>
<b>Net interest income</b>	<b>3,930</b>	<b>3,821</b>	<b>11,704</b>	<b>11,345</b>
<b>Provision for loan losses</b>	<b>401</b>	<b>321</b>	<b>1,543</b>	<b>1,051</b>
<b>Net interest income after provision for loan losses</b>	<b>3,529</b>	<b>3,500</b>	<b>10,161</b>	<b>10,294</b>
<b>Noninterest income</b>				
Service charges on deposit accounts	559	568	1,582	1,726
Realized gains on sales of securities	—	47	370	47
Realized gains on sales of loans	33	48	76	92
Realized (losses) gains on sales of other real estate and repossessed assets	(5 )	37	(10 )	36
BOLI benefit in excess of surrender value	—	—	100	—
Other income	245	196	673	630
<b>Total noninterest income</b>	<b>832</b>	<b>896</b>	<b>2,791</b>	<b>2,531</b>
<b>Noninterest expense</b>				
Salaries and employee benefits	1,632	1,747	5,103	5,269
Occupancy and equipment	458	433	1,341	1,280
Professional services	262	174	690	568
Insurance	73	97	200	292
FDIC insurance	33	137	240	377

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Franchise and other taxes	129	126	373	384
Advertising	61	93	184	240
Stationery and office supplies	75	57	175	196
Amortization of intangibles	29	30	89	84
Core processing conversion expenses	—	184	—	184
Provision for losses on foreclosed real estate	—	70	49	70
Other expenses	548	539	1,623	1,585
<b>Total noninterest expense</b>	<b>3,300</b>	<b>3,687</b>	<b>10,067</b>	<b>10,529</b>
<b>Income before federal income taxes</b>	<b>1,061</b>	<b>709</b>	<b>2,885</b>	<b>2,296</b>
<b>Federal income taxes</b>	<b>260</b>	<b>(1 )</b>	<b>594</b>	<b>202</b>
<b>Net income</b>	<b>\$801</b>	<b>\$710</b>	<b>\$2,291</b>	<b>\$2,094</b>
<b>EARNINGS PER COMMON SHARE</b>				
Basic	\$0.16	\$0.15	\$0.47	\$0.43
Diluted	\$0.16	\$0.15	\$0.46	\$0.43
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$0.14</b>	<b>\$0.14</b>	<b>\$0.42</b>	<b>\$0.42</b>

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.  
Condensed Consolidated Statements of Comprehensive Income  
(In thousands)

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	2010	2010	2010	2010
	(Unaudited)			
Net income	\$801	\$710	\$2,291	\$2,094
Other comprehensive income, net of tax:				
Unrealized holding gains on securities during the period, net of taxes of \$45, \$58, \$335 and \$432 for each respective period	87	113	651	838
Reclassification adjustment for realized gains included in income, net of taxes of \$0, \$16, \$126 and \$16 for each respective period	—	(31 )	(244 )	(31 )
Comprehensive income	\$888	\$792	\$2,698	\$2,901
Accumulated other comprehensive (loss) income	\$(300 )	\$300	\$(300 )	\$300

See Notes to Condensed Consolidated Financial Statements



United Bancorp, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2011 and 2010  
(In thousands)

	2011	2010
	(Unaudited)	
<b>Operating Activities</b>		
Net income	\$2,291	\$2,094
<b>Items not requiring (providing) cash</b>		
Depreciation and amortization	725	574
Amortization of intangible assets	89	84
Expense related to share based compensation plans	160	164
Provision for loan losses	1,543	1,051
Provision for losses on foreclosed real estate	49	70
Increase in value of bank-owned life insurance	(182 )	(291 )
Realized gains on sales of securities	(370 )	(47 )
Amortization of premiums (discounts) on securities, net	(71 )	84
Originations of loans held for sale	(4,805 )	(5,727 )
Proceeds from sale of loans held for sale	4,881	5,819
Realized gains on sales of loans	(76 )	(92 )
Amortization of ESOP	132	151
Realized losses (gains) on sales of other real estate and repossessed assets	10	(36 )
Amortization of mortgage servicing rights	23	28
Net change in accrued interest receivable and other assets	(68 )	(1,002 )
Net change in accrued expenses and other liabilities	(336 )	255
<b>Net cash provided by operating activities</b>	<b>3,995</b>	<b>3,179</b>
<b>Investing Activities</b>		
Securities available for sale:		
Maturities, prepayments and calls	70,587	58,883
Purchases	(64,644 )	(44,197 )
Securities held to maturity:		
Maturities, prepayments and calls	1,495	5,929
Proceeds from sale of held-to-maturity securities	302	—
Proceeds from sale of available-for-sale securities	8,886	—
Net change in loans	(1,832 )	(21,356 )
Net change in certificates of deposit in other financial institutions	2,564	13,484
Purchases of premises and equipment	(1,421 )	(152 )
Proceeds from disposal of premises and equipment	35	—
Proceeds from sale of other real estate and repossessed assets	183	580
<b>Net cash provided by investing activities</b>	<b>16,155</b>	<b>13,171</b>

See Notes to Condensed Consolidated Financial Statements



United Bancorp, Inc.  
Condensed Consolidated Statements of Cash Flows (continued)  
For the Nine Months Ended September 30, 2011 and 2010  
(In thousands)

	2011	2010
	(Unaudited)	
<b>Financing Activities</b>		
Net change in deposits	\$(1,767 )	\$(4,114 )
Net change in borrowings	(8,304 )	(747 )
Shares purchased for deferred compensation plan	72	108
Proceeds from purchase of shares by dividend reinvestment plan	236	317
Cash dividends paid on common stock	(2,238 )	(2,217 )
Net cash used in financing activities	(12,001 )	(6,653 )
Increase in Cash and Cash Equivalents	8,149	9,697
Cash and Cash Equivalents, Beginning of Period	10,935	31,271
Cash and Cash Equivalents, End of Period	\$19,084	\$40,968
<b>Supplemental Cash Flows Information</b>		
Interest paid on deposits and borrowings	\$3,722	\$5,169
Federal income taxes paid	\$765	\$520
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Transfers from loans to foreclosed assets held for sale	\$545	\$977

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. (“Company”) at September 30, 2011, and its results of operations and cash flows for the interim periods presented. All such adjustments are normal and recurring in nature. The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not purport to contain all the necessary financial disclosures required by accounting principles generally accepted in the United States of America that might otherwise be necessary in the circumstances and should be read in conjunction with the Company’s consolidated financial statements and related notes for the year ended December 31, 2010 included in its Annual Report on Form 10-K. Reference is made to the accounting policies of the Company described in the Notes to the Consolidated Financial Statements contained in its Annual Report on Form 10-K. The results of operations for the three and nine months ended September 30, 2011, are not necessarily indicative of the results to be expected for the full year. The condensed consolidated balance sheet of the Company as of December 31, 2010 has been derived from the audited consolidated balance sheet of the Company as of that date.

Principles of Consolidation

The consolidated financial statements include the accounts of United Bancorp, Inc. (“United” or “the Company”) and its wholly-owned subsidiary, The Citizens Savings Bank of Martins Ferry, Ohio (“the Bank” or “Citizens”). The Company operates in two divisions, The Community Bank, a division of The Citizens Savings Bank and The Citizens Bank, a division of The Citizens Savings Bank. All intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

The Company’s revenues, operating income, and assets are almost exclusively derived from banking. Accordingly, all of the Company’s banking operations are considered by management to be aggregated in one reportable operating segment. Customers are mainly located in Athens, Belmont, Carroll, Fairfield, Harrison, Hocking, Jefferson, and Tuscarawas Counties and the surrounding localities in northeastern, east-central and southeastern Ohio, and include a wide range of individuals, businesses and other organizations. The Citizens Bank division conducts its business through its main office in Martins Ferry, Ohio and twelve branches in Bridgeport, Colerain, Dellroy, Dillonvale, Dover, Jewett, New Philadelphia, St. Clairsville East, St. Clairsville West, Sherrodsville, Strasburg, and Tiltonsville, Ohio. The Community Bank division conducts its business through its main office in Lancaster, Ohio and seven offices in Amesville, Glouster, Lancaster, and Nelsonville, Ohio. The Company’s primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate and are not considered “sub prime” type loans. The targeted lending areas of our Bank operations encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company’s 20 branch locations.

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

The Company's primary deposit products are checking, savings and term certificate accounts and its primary lending products are residential mortgage, commercial and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary and fiscal policies, that are outside of management's control.

#### Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and future results could differ. The allowance for loan losses and fair values of financial instruments are particularly subject to change.

#### Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

#### Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a monthly basis by management and the Citizens Board of Directors and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated

value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

## Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period, less shares in the ESOP which are unallocated and not committed to be released and non-vested restricted stock. At September 30, 2011 and 2010, the ESOP held 218,627 and 242,266 unallocated shares, respectively, which were not included in weighted-average common shares outstanding. In addition, at September 30, 2011 and 2010, the Company has 170,000 and 180,000 shares, respectively of non-vested restricted stock, which were not included in weighted-average common shares outstanding. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under the Company's stock compensation plans.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands, except share and per share data)			
<b>Basic</b>				
Net income	\$ 801	\$ 710	\$ 2,291	\$ 2,094
Dividends on non-vested restricted stock	(24 )	(25 )	(71 )	(75 )
Net earnings allocated to stockholders	\$ 777	\$ 685	\$ 2,220	\$ 2,019
Weighted average common shares outstanding	4,775,728	4,705,278	4,760,297	4,681,892
Basic earnings per common share	\$ 0.16	\$ 0.15	\$ 0.47	\$ 0.43
<b>Diluted</b>				
Net earnings allocated to stockholders	\$ 777	\$ 685	\$ 2,220	\$ 2,019
Weighted average common shares outstanding for basic earnings per common share	4,775,728	4,705,278	4,760,297	4,681,892
Add: Dilutive effects of assumed exercise of stock options and restricted stock	46,432	15,905	40,253	20,907
Average shares and dilutive potential common shares	4,822,160	4,721,183	4,800,550	4,702,799
Diluted earnings per common share	\$ 0.16	\$ 0.15	\$ 0.46	\$ 0.43
Number of stock options not considered in computing diluted earnings per share due to antidilutive nature	53,714	53,714	53,714	53,714

Options to purchase 53,714 shares of common stock, at a weighted-average exercise price of \$10.34 per share, were outstanding at both September 30, 2011 and 2010, but were not included in the computation of diluted earnings per



share because the options' exercise price was greater than the average market price of the common shares.

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

### Income Taxes

The Company is subject to income taxes in the U.S. federal jurisdiction, as well as various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2008.

### Recent Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2010-20, Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Topic 310), issued on July 21, 2010, concerns improved disclosures regarding the credit quality in a financial institution's loan portfolio. The guidance requires additional disaggregation of the credit portfolio by portfolio segment and class of receivable, a revised roll forward of the allowance for credit losses, presentation of the credit portfolio by credit quality indicators, an aging schedule of past due receivables, disclosure of troubled debt restructurings and purchases and sales of receivables by portfolio segment. The period-end disclosures were effective for periods ending on or after December 15, 2010 (December 31, 2010 for the Company). The activity disclosures are effective for periods beginning on or after December 15, 2010 (January 1, 2011 for the Company). The Company adopted FASB ASU 2010-20 as required, without a material effect on the Company's financial condition or results of operations.

FASB ASU 2011-02, Receivables (Topic 310), A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring, issued in April 2011, amends Subtopic 310-40 to clarify existing guidance related to a creditor's evaluation of whether a restructuring of debt is considered a troubled debt restructuring. The amendments add additional clarity in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties. The updated guidance and related disclosure requirements are effective for financial statements issued for the first interim or annual period beginning on or after June 15, 2011, and should be applied retroactively to the beginning of the annual period of adoption. Early adoption is permitted. The Company adopted FASB ASU 2011-02 as required, without a material effect on the Company's financial condition or results of operations.

FASB ASU 2011-03, Transfers and Servicing (Topic 860), Reconsideration of Effective Control for Repurchase Agreements, issued in April 2011, improves the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The updated guidance is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively. Management is currently evaluating the impact of the guidance on the Company's condensed consolidated financial statements.

FASB ASU 2011-04, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements, issued in May 2011, provides guidance in common fair value measurement and disclosure requirements. The amendment changes the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. The amendments are effective during interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact of the guidance on the Company's condensed consolidated financial statements.



United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

FASB ASU 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income, issued in June 2011, is designed to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in comprehensive income. The amendments are effective during interim and annual periods beginning after December 15, 2011. Management does not expect adoption of this standard to have a material impact on the Company's condensed consolidated financial statements.

FASB ASU 2011-08, Intangibles (Topic 350), Testing Goodwill for Impairment, issued in September 2011, is designed to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test in Topic 350. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. Management does not expect adoption of this standard to have a material impact on the Company's consolidated financial statements.

#### Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
<b>Available-for-sale Securities:</b>				
<b>September 30, 2011</b>				
U.S. government agencies	\$62,374	\$117	\$(2 )	\$ 62,489
State and political subdivisions	19,239	630	(9 )	19,860
Equity securities	4	10	—	14
	\$81,617	\$757	\$(11 )	\$ 82,363
<b>Available-for-sale Securities:</b>				
<b>December 31, 2010:</b>				
U.S. government agencies	\$61,908	\$53	\$(728 )	\$ 61,233
State and political subdivisions	25,008	315	(28 )	25,295
Government sponsored entities mortgage-backed securities	9,105	509	—	9,614
Equity securities	4	9	—	13
	\$96,025	\$886	\$(756 )	\$ 96,155

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
<b>Held-to-maturity Securities:</b>				
<b>September 30, 2011:</b>				
State and political subdivisions	\$4,555	\$175	\$—	\$ 4,730
<b>December 31, 2010:</b>				
State and political subdivisions	\$6,331	\$179	\$—	\$ 6,510

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at September 30, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Within one year	\$ 201	\$ 205	\$ 110	\$ 111
One to five years	3,535	3,623	2,188	2,278
Five to ten years	35,980	36,391	2,257	2,341
After ten years	41,897	42,130	—	—
	81,613	82,349	4,555	4,730
Equity securities	4	14	—	—
<b>Totals</b>	<b>\$ 81,617</b>	<b>\$ 82,363</b>	<b>\$ 4,555</b>	<b>\$ 4,730</b>

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$63.0 million and \$66.4 million at September 30, 2011 and December 31, 2010, respectively.

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Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Information with respect to sales of securities and resulting gross realized gains and losses was as follows:

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Proceeds from sale	\$ 9,188	\$ 4,460
Gross gains	370	104
Gross losses	—	(57 )

During the nine months ended September 30, 2011, the Company sold one security with an amortized cost of \$295,000 resulting in a realized gain of approximately \$7,000 and is included in the table above under gross gains. This security was classified on the books as “held to maturity” and was sold due to a credit quality down grade of the municipality issuer.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at September 30, 2011 and December 31, 2010, was \$3.3 million and \$35.7 million, which represented approximately 4% and 35%, respectively, of the Company’s available-for-sale and held-to-maturity investment portfolio.

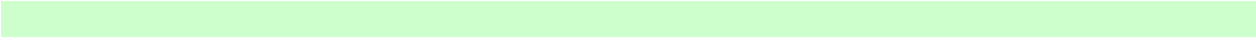
Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following tables show the Company’s investments’ gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2011 and December 31, 2010:

September 30, 2011

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	\$ 2,997	\$ (2 )	\$ —	\$ —	\$ 2,997	\$ (2 )
State and political subdivisions	331	(9 )	—	—	331	(9 )



Total temporarily impaired securities	\$ 3,328	\$ (11 )	\$ —	\$ —	\$ 3,328	\$ (11 )
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United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2011 and 2010

Description of Securities	December 31, 2010				Total Unrealized	
	Less than 12 Months	Unrealized	12 Months or More	Unrealized		
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Government agencies	\$ 33,215	\$ (728 )	\$ —	\$ —	\$ 33,215	\$ (728 )
State and political subdivisions	2,484	(28 )	—	—	2,484	(28 )
Total temporarily impaired securities	\$ 35,699	\$ (756 )	\$ —	\$ —	\$ 35,699	\$ (756 )

The unrealized losses on the Company's investments in U.S. Government agency and municipal securities were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at September 30, 2011 and December 31, 2010.

Note 2: Loans and Allowance for Loan Losses

Categories of loans include:

	September 30, 2011	December 31, 2010
	(In thousands)	
Commercial loans	\$ 34,190	\$ 32,153
Commercial real estate	141,362	136,369
Residential real estate	61,730	63,378
Installment loans	41,635	46,877
Total gross loans	278,917	278,777
Less allowance for loan losses	(3,061 )	(2,740 )
Total loans	\$ 275,856	\$ 276,037



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The activity in the allowance for loan losses was as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(In thousands)			
Beginning balance	\$ 2,783	\$ 2,729	\$ 2,740	\$ 2,390
Provision for loan losses	401	321	1,543	1,051
Loans charged-off	(174 )	(345 )	(1,456 )	(924 )
Recoveries of previous charge-offs	51	50	234	238
Ending balance	\$ 3,061	\$ 2,755	\$ 3,061	\$ 2,755

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

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Allowance for Loan Losses and Recorded Investment in Loans  
As of and for the three and nine month periods ended September 30, 2011

(In thousands)	Commercial					Total
	Commercial	Real Estate	Installment	Residential	Unallocated	
<b>Allowance for loan losses:</b>						
Balance, June 1, 2011	\$ 159	\$ 1,967	\$ 227	\$ 77	\$ 353	\$ 2,783
Provision charged to expense	264	(136 )	65	32	176	401
Losses charged off	(1 )	(23 )	(96 )	(54 )	—	(174 )
Recoveries	17	7	22	5	—	51
Balance, September 30, 2011	\$ 439	\$ 1,815	\$ 218	\$ 60	\$ 529	\$ 3,061
Balance, January 1, 2011	\$ 561	\$ 1,566	\$ 229	\$ 140	\$ 244	\$ 2,740
Provision charged to expense	300	676	200	82	285	1,543
Losses charged off	(444 )	(450 )	(393 )	(169 )	—	(1,456 )
Recoveries	22	23	182	7	—	234
Balance, September 30, 2011	\$ 439	\$ 1,815	\$ 218	\$ 60	\$ 529	\$ 3,061
Ending balance: individually evaluated for impairment	\$ 69	\$ 1,718	\$ 23	\$ —	\$ —	\$ 1,810
Ending balance: collectively evaluated for impairment	\$ 370	\$ 97	\$ 195	\$ 60	\$ 529	\$ 1,251
<b>Loans:</b>						
Ending balance: individually evaluated for impairment	\$ 328	\$ 4,598	\$ 61	\$ 14	\$ —	\$ 5,001
Ending balance: collectively evaluated for impairment	\$ 33,862	\$ 136,764	\$ 41,574	\$ 61,716	\$ —	\$ 273,916

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Allowance for Loan Losses and Recorded Investment in Loans  
As of and for the year ended December 31, 2010

(In thousands)	Commercial					Total
	Commercial	Real Estate	Installment	Residential	Unallocated	
Allowance for loan losses:						
Balance, beginning of year	\$ 890	\$ 999	\$ 251	\$ 100	\$ 150	\$ 2,390
Provision charged to expense	(110 )	1,339	296	197	94	1,816
Losses charged off	(256 )	(775 )	(579 )	(160 )	—	(1,770 )
Recoveries	37	3	261	3	—	304
Balance, end of year	\$ 561	\$ 1,566	\$ 229	\$ 140	\$ 244	\$ 2,740
Ending balance: individually evaluated for impairment	\$ 486	\$ 1,226	\$ —	\$ 60	\$ —	\$ 1,772
Ending balance: collectively evaluated for impairment	\$ 75	\$ 340	\$ 229	\$ 80	\$ 244	\$ 968
Loans:						
Ending balance: individually evaluated for impairment	\$ 1,184	\$ 5,852	\$ —	\$ 238	\$ —	\$ 7,274
Ending balance: collectively evaluated for impairment	\$ 30,969	\$ 130,517	\$ 46,877	\$ 63,140	\$ —	\$ 271,503

The following tables show the portfolio quality indicators. For purposes of monitoring the credit quality and risk characteristics of its loan portfolio, the Company utilizes the following types of loans: commercial and commercial real estate, residential and installment.

To facilitate the monitoring of credit quality within the loan portfolio, and for purposes of analyzing historical loss rates used in the determination of the ALLL, the Company utilizes the following categories of credit grades: pass, special mention, substandard, and doubtful. The four categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on at least a quarterly basis.

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The Company assigns a special mention rating to loans that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan or the Company's credit position.

The Company assigns a substandard rating to loans that are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. Substandard loans have well defined weaknesses or weaknesses that could jeopardize the orderly repayment of the debt. Loans and leases in this grade also are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies noted are not addressed and corrected.

The Company assigns a doubtful rating to loans that have all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage of and strengthen the credit quality of the loan or lease, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

Loan Class	September 30, 2011			
	Commercial	Commercial Real Estate	Residential	Installment
(In thousands)				
Pass Grade	\$ 30,029	\$ 127,022	\$ 61,664	\$ 41,443
Special Mention	3,834	4,467	5	178
Substandard	126	6,483	—	—
Doubtful	201	3,390	61	14
	\$ 34,190	\$ 141,362	\$ 61,730	\$ 41,635

Loan Class	December 31, 2010			
	Commercial	Commercial Real Estate	Residential	Installment
(In thousands)				
Pass Grade	\$ 28,416	\$ 122,795	\$ 62,517	\$ 46,877
Special Mention	134	1,141	623	—
Substandard	3,603	12,198	238	—
Doubtful	—	235	—	—
	\$ 32,153	\$ 136,369	\$ 63,378	\$ 46,877

United Bancorp, Inc.  
Notes to Condensed Consolidated Financial Statements  
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Loan Portfolio Aging Analysis  
As of September 30, 2011

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
	(In thousands)						
Commercial	\$316	\$6	\$—	\$455	\$777	\$33,413	\$34,190
Commercial real estate	1,106	108	—	2,364	3,578	137,784	141,362
Installment	379	56	—	163	598	41,037	41,635
Residential	1,546	505	—	1,280	3,331	58,399	61,730
<b>Total</b>	<b>\$3,347</b>	<b>\$675</b>	<b>\$—</b>	<b>\$4,262</b>	<b>\$8,284</b>	<b>\$270,633</b>	<b>\$278,917</b>

Loan Portfolio Aging Analysis  
As of December 31, 2010

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
	(In thousands)						
Commercial	\$265	\$201	\$25	\$300	\$791	\$31,362	\$32,153
Commercial real estate	567	525	—	3,163	4,255	132,114	136,369
Installment	421	159	—	240	820	46,057	46,877
Residential	529	279	—	823	1,631	61,747	63,378
<b>Total</b>	<b>\$1,782</b>	<b>\$1,164</b>	<b>\$25</b>	<b>\$4,526</b>	<b>\$7,497</b>	<b>\$271,280</b>	<b>\$278,777</b>

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Impaired Loans

	September 30, 2011			Three months ended September 30, 2011		Nine months ended September 30, 2011	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Recognized	Average Investment in Impaired Loans	Interest Recognized
(In thousands)							
<b>Loans without a specific valuation allowance:</b>							
Commercial	\$ 207	\$ 207	\$ —	\$ 404	\$ —	\$ 427	\$ 2
Commercial real estate	1,253	1,253	—	1,211	13	1,212	38
Residential	14	14	—	41	—	41	—
Installment	—	—	—	—	—	—	—
	1,474	1,474	—	1,656	13	1,680	40
<b>Loans with a specific valuation allowance:</b>							
Commercial	121	121	69	361	3	316	9
Commercial real estate	3,345	3,345	1,718	4,240	9	4,017	65
Residential	—	—	—	111	—	74	—
Installment	61	61	23	10	2	31	2
	3,527	3,527	1,810	4,722	14	4,438	76
<b>Total:</b>							
Commercial	\$ 328	\$ 328	\$ 69	\$ 765	\$ 3	\$ 743	\$ 11
Commercial real estate	\$ 4,598	\$ 4,598	\$ 1,718	\$ 5,451	\$ 22	\$ 5,229	\$ 103
Residential	\$ 14	\$ 14	\$ —	\$ 152	\$ —	\$ 115	\$ —
Installment	\$ 61	\$ 61	\$ 23	\$ 10	\$ 2	\$ 31	\$ 2

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Impaired Loans as of and for the  
Year Ended December 31, 2010

	Recorded Balance	Unpaid Principal Balance	Specific Allowance  (In thousands)	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Commercial	\$518	\$518	\$—	\$ 510	\$22
Commercial real estate	1,186	1,186	—	1,172	45
Residential	77	77	—	69	4
	1,781	1,781	—	1,751	71
Loans with a specific valuation allowance:					
Commercial	666	666	486	648	38
Commercial real estate	4,666	4,666	1,226	4,688	80
Residential	161	161	60	148	3
	5,493	5,493	1,772	5,484	121
Total:					
Commercial	\$1,184	\$1,184	\$486	\$ 1,158	\$60
Commercial real estate	\$5,852	\$5,852	\$1,226	\$ 5,860	\$125
Residential	\$238	\$238	\$60	\$ 217	\$7

As a result of adopting the amendments in Accounting Standards Update No. 2011-02 (the ASU), the Company reassessed all loan restructurings occurring on or after the January 1, 2011 for identification of Troubled Debt Restructurings (TDR's). The Company identified as TDR's certain receivables for which the allowance had previously been measured under a general allowance for credit losses methodology. Upon identification of those receivables as TDR's, the Company identified them as impaired under the guidance in Accounting Standards Codification (ASC) 310-10-35. The ASU requires prospective application of the impairment measurement guidance in ASC 310-10-35 for those receivables newly identified as impaired. At the end of the first interim period of adoption, September 30, 2011, the Company did not have any investment in receivables for which the allowance for credit losses was previously measured under a general allowance for credit losses methodology and are now impaired under ASC 310-10-35. The Company did identify \$200,000 in loans that qualify as TDR's under ASU 2011-02; however, the Company had reported these loans as impaired and no additional allowance for credit losses was deemed necessary.

At September 30, 2011, the Company did not have any TDR's that have occurred in the past 12 months that were in payment default. In addition, the Company did not have any loans that were identified as TDRs during the three months ended September 30, 2011.

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During the three and nine month periods ended September 30, 2011, for the TDRs noted in the table below, the Company extended the maturity dates and granted interest rate concessions as part of those loan restructurings. The loans included in the table are considered impaired and specific loss calculations are performed on the individual loans.

	Number of Contracts	Nine Months ended September 30, 2011	
		Pre- Modification Outstanding Recorded Investment (In thousands)	Post-Modification Outstanding Recorded Investment
Commercial	6	\$ 108	\$ 107
Commercial real estate	6	536	536
Residential	—	—	—
Installment	—	—	—

Note 3:

Benefit Plans

Pension expense includes the following:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Service cost	\$ 76	\$ 67	\$ 228	\$ 201
Interest cost	43	45	129	135
Expected return on assets	(60 )	(58 )	(180 )	(174 )
Amortization of prior service cost and net loss	20	21	60	63
Pension expense	\$ 79	\$ 75	\$ 237	\$ 225



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Note 4: Off-balance-sheet Activities

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contracts are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

A summary of the notional or contractual amounts of financial instruments with off-balance-sheet risk at the indicated dates is as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Commitments to extend credit	\$ 14,354	\$ 12,858
Commitment to originate loans	12,484	9,200
Overdraft program and ready reserve lines	29,704	29,189
Standby letters of credit	962	897

Note 5: Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company also utilizes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

#### Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Company's equity securities are classified within Level 1 of the hierarchy. If quoted market prices are not available, the Company generally relies on prices obtained from independent pricing services or brokers. Securities measured with this valuation technique are generally classified as Level 2 of the hierarchy, and their fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows using significant inputs observable in the market. Examples of Level 2 securities include U.S. government agency bonds, mortgage-backed securities and state and political subdivision bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company has no securities classified as Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2011 and December 31, 2010:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
<b>September 30, 2011</b>				
U.S. government agencies	\$ 62,489	\$ —	\$ 62,489	\$ —
State and political subdivisions	19,860	—	19,860	—
Equity securities	14	14	—	—
<b>December 31, 2010</b>				
U.S. government agencies	\$ 61,233	\$ —	\$ 61,233	\$ —
State and political subdivisions	25,295	—	25,295	—
Government sponsored entities				
mortgage-backed securities	9,614	—	9,614	—
Equity securities	13	13	—	—

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Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

#### Impaired Loans (Collateral Dependent)

Collateral dependent impaired loans consisted primarily of loans secured by nonresidential real estate. Management has determined fair value measurements on impaired loans primarily through evaluations of appraisals performed. Due to the nature of the valuation inputs, impaired loans are classified within Level 3 of the hierarchy.

#### Mortgage Servicing Rights

Mortgage servicing rights, which are included in other assets, do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

#### Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value (based on current appraised value) at the date of foreclosure less costs to sell, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Management has determined fair value measurements on other real estate owned primarily through evaluations of appraisals performed, and current and past offers for the other real estate under evaluation. Due to the nature of the valuation inputs, foreclosed assets held for sale are classified within Level 3 of the hierarchy listed below.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2011 and December 31, 2010.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
<b>September 30, 2011</b>				
Impaired loans	\$ 1,560	\$ —	\$ —	\$ 1,560
Foreclosed assets held for sale	415	—	—	415
<b>December 31, 2010</b>				
Impaired loans	\$ 3,595	\$ —	\$ —	\$ 3,595
Mortgage servicing rights	215	—	—	215
Foreclosed assets held for sale	238	—	—	238



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The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
<b>Financial assets</b>				
Cash and cash equivalents	\$ 19,084	\$ 19,084	\$ 10,935	\$ 10,935
Certificates of deposit in other financial institutions	—	—	2,564	2,564
Available-for-sale securities	82,363	82,363	96,155	96,155
Held-to-maturity securities	4,555	4,730	6,331	6,510
Loans, net of allowance for loan losses	275,856	277,445	276,037	276,699
Federal Home Loan Bank stock	4,810	4,810	4,810	4,810
Accrued interest receivable	1,403	1,403	1,441	1,441
<b>Financial liabilities</b>				
Deposits	323,679	308,996	325,446	308,387
Short-term borrowings	13,358	13,358	11,843	11,829
Federal Home Loan Bank advances	33,631	35,926	43,450	45,316
Subordinated debentures	4,000	3,613	4,000	3,412
Interest payable	232	232	337	337

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents, Accrued Interest Receivable and Federal Home Loan Bank Stock

The carrying amounts approximate fair value.

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Certificates of Deposit in other Financial Institutions

The fair value of certificates of deposit in other financial institutions is estimated by discounting the future cash flows using the current rates at which similar certificates could be acquired from financial institutions with similar credit ratings and for the same remaining maturities. Certificates with similar characteristics were aggregated for purposes of the calculations.

Held-to-maturity Securities

Fair values equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities.

Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Interest Payable

The carrying amount approximates fair value.

Short-term Borrowings, Federal Home Loan Bank Advances and Subordinated Debentures

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Commitments to Originate Loans, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. Fair values of commitments were not material at September 30, 2011 and December 31, 2010.



United Bancorp, Inc.

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

The following discusses the financial condition of the Company as of September 30, 2011, as compared to December 31, 2010, and the results of operations for the three and nine months ended September 30, 2011, compared to the same periods in 2010. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

Introduction

The Company's earnings for the nine months ended September 30, 2011 generated an annualized 0.72% return on average assets ("ROA") and an 8.39% return on average equity ("ROE"), compared to 0.69% ROA and 8.47% ROE for the nine months ended September 30, 2010. Comparing the nine months ended September 30, 2011 to 2010, the Company's net interest margin was 4.25% compared to 3.94%, an increase of 31 basis points. This increase in the margin resulted in a \$359,000 increase in net interest income for the nine months ended September 30, 2011 as compared to the same period in 2010. Comparing the same periods, customer service fees on deposits decreased \$144,000. As the Company continues to implement government imposed regulations from the Dodd-Frank Act regarding its courtesy overdraft program, we will continue to experience regulatory requirements that may result in a decrease in customer service fees. In anticipation of these challenges and their potential impact on non-interest income, a variety of cost savings initiatives have been implemented in 2011 to reduce the non-interest expense of the Company. Year-to-date, these cost savings initiatives have lowered non-interest expense by \$189,000 which will be recurring and increasing to offset some of the anticipated decline in non-interest income. The Company recognized a gain on sale of securities of \$370,000 for the nine months ended September 30, 2011 and the Company received \$100,000 of a BOLI benefit in excess of surrender value. The securities gain was the result of the Company selling its government sponsored mortgage-backed securities portfolio to take advantage of the favorable rate environment on these short term investments and provide liquidity to restructure the Company's balance sheet to shift towards higher yielding loan relationships. On the expense side, the Company's 2011 earnings were affected by a period over period increase of \$492,000 in our provision for loan losses. The increase in the provision for loan losses was predicated primarily upon the economic challenges facing the banking industry. While net loans charged off did increase for the nine months ended September 30, 2011 as compared to the same period in 2010, the Company was able to move those charged off credits through the collection process and into foreclosed assets held for sale and begin to market these properties for sale. This resulted in a comparable decrease in non-accrual loans. Nonaccrual loans to total loans decreased by nearly 22 basis points, going from 1.75% in 2010 to 1.53% at September 30, 2011. A declining trend in this area is very positive and the present level of nonaccrual loans to total loans is nearly half of that of our peer group

Forward-Looking Statements

When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Bank's market areas, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Bank's market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any statements expressed with respect to future periods.





United Bancorp, Inc.  
Management's Discussion and Analysis of Financial  
Condition and Results of Operations

The Company is not aware of any trends, events or uncertainties that will have or are reasonably likely to have a material effect on its financial condition, results of operations, liquidity or capital resources except as discussed herein. The Company is not aware of any current recommendation by regulatory authorities that would have such effect if implemented except as discussed herein.

The Company does not undertake, and specifically disclaims any obligation, to publicly revise any forward-looking statements to reflect events or circumstances after the date such statements were made or to reflect the occurrence of anticipated or unanticipated events.

#### Current Economic Conditions

The current protracted economic decline continues to present financial institutions with circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The consolidated financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses and capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity.

#### Critical Accounting Policies

Management makes certain judgments that affect the amounts reported in the financial statements and footnotes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements, and as this information changes, the financial statements could reflect different estimates, assumptions, and judgments.

The procedures for assessing the adequacy of the allowance for loan losses reflect our evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses.

The allowance is regularly reviewed by management and the board to determine whether the amount is considered adequate to absorb probable losses. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based on the size, quality and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank's trend in delinquencies and loan losses, and economic factors.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance is an estimate based

on management's current judgment about the credit quality of the loan portfolio. While the Company strives to reflect all known risk factors in its evaluation, judgment errors may occur.

United Bancorp, Inc.  
Management's Discussion and Analysis of Financial  
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Analysis of Financial Condition

Earning Assets – Loans

Our focus as a community bank is to meet the credit needs of the markets we serve. At September 30, 2011, gross loans were \$278.9 million, compared to \$278.8 million at December 31, 2010. The overall increase in the loan portfolio was comprised of a \$5.2 million decrease in installment loans and a \$1.6 million decrease in residential lending, which was partially offset by a \$6.9 million increase in commercial and commercial real estate loans.

Commercial and commercial real estate loans comprised 62.9% of total loans at September 30, 2011, compared to 60.5% at December 31, 2010. Commercial and commercial real estate loans have increased \$6.9 million, or 4.1% since December 31, 2010. This segment of the loan portfolio includes originated loans in the Company's market areas and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company's primary market area, but all within the state of Ohio.

Installment loans represented 14.9% of total loans at September 30, 2011, and 16.8% at December 31, 2010. This indirect lending type of financing carries somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased \$5.2 million, or 14.5%, since December 31, 2010. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's 20 banking locations. Indirect installment loans are approximately 74.7% and 70.5% of the installment loan portfolio as of September 30, 2011 and December 31, 2010, respectively.

Residential real estate loans were 22.2% of total loans at September 30, 2011 and 22.7% at December 31, 2010, representing a decrease of \$1.6 million since December 31, 2010. Residential real estate lending for the nine months ended September 30, 2011 has been slow with respect to the Company's adjustable-rate mortgage products. As of September 30, 2011, the Bank has approximately \$21.9 million in fixed-rate loans that have been sold in the secondary market as compared to \$24.6 million at December 31, 2010. The level of fixed rate mortgages serviced by the Company will continue to decline as the Company does not retain servicing rights for these types of products for loans originated since the beginning of 2010. The Company will continue to service loans originated prior to 2010 for a fee that is typically 25 basis points. At September 30, 2011, the Company did not hold any loans for sale.

The allowance for loan losses totaled \$3.1 million at September 30, 2011, which represented 1.10% of total loans, and \$2.7 million at December 31, 2010, or 0.98% of total loans. The allowance represents the amount which management and the Board of Directors estimates is adequate to provide for probable losses inherent in the loan portfolio. The allowance balance and the provision charged to expense are reviewed by management and the Board of Directors monthly using a risk evaluation model that considers borrowers' past due experience, economic conditions and various other circumstances that are subject to change over time. Management believes the current balance of the allowance for loan losses is adequate to absorb probable incurred credit losses associated with the loan portfolio. Net charge-offs for the nine months ended September 30, 2011 were approximately \$1.2 million, or 44.6%, of the beginning balance in the allowance for loan losses. While net loans charged off did increase for the nine months ended September 30, 2011 as compared to the same period in 2010, the Company was able to move those charged off credits through the collection process and into other real estate and begin to market these properties for sale. This resulted in an increase in other real estate and resulted in comparable decrease in non-accrual loans. Nonaccrual loans to total loans decreased by nearly 22 basis points, going from 1.75% in 2010 to 1.53% at September 30, 2011. A declining trend in this area is very positive and the present level of nonaccrual loans to total loans is nearly half of that of our peer group.



United Bancorp, Inc.  
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Earning Assets – Securities

The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of state and political subdivisions and certain other investments. The Company does not hold any derivative securities, and does not hold any collateralized mortgage-backed securities. Securities available for sale at September 30, 2011 decreased approximately \$13.8 million, or 14.3%, from December 31, 2010 totals. With the overall low interest rate environment, the Company has experienced a high level of called bond activity during the first nine months of 2011.

Sources of Funds – Deposits

The Company's primary source of funds is core deposits from retail and business customers. These core deposits include all categories of interest-bearing and noninterest-bearing deposits, excluding certificates of deposit greater than \$100,000. For the period ended September 30, 2011, total core deposits decreased approximately \$1.6 million, or less than 1.0%. The Company's savings accounts increased \$3.1 million, or 5.9%, from December 31, 2010 totals. The Company's interest-bearing demand deposits decreased \$258,000, or less than 1.0%, noninterest-bearing demand deposits increased \$2.8 million, or 11.8 %, while certificates of deposit under \$100,000 decreased by \$7.8 million, or 7.7%.

The Company has a strong deposit base from public agencies, including local school districts, city and township municipalities, public works facilities and others that may tend to be more seasonal in nature resulting from the receipt and disbursement of state and federal grants. These entities have maintained fairly static balances with the Company due to various funding and disbursement timeframes.

Certificates of deposit greater than \$100,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At September 30, 2011, certificates of deposit greater than \$100,000 decreased \$159,000, or less than 1.0%, from December 31, 2010 totals.

Sources of Funds – Securities Sold under Agreements to Repurchase and Other Borrowings

Other interest-bearing liabilities include securities sold under agreements to repurchase, sweep accounts, Treasury, Tax and Loan notes payable and Federal Home Loan Bank ("FHLB") advances. The majority of the Company's repurchase agreements are with local school districts and city and county governments. The Company's short-term borrowings increased approximately \$1.5 million from December 31, 2010 totals.

United Bancorp, Inc.  
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Results of Operations for the Nine Months Ended September 30, 2011 and 2010

Net Income

Diluted earnings per share for the nine months ended September 30, 2011 totaled \$0.46 compared with \$0.43 for the nine months ended September 30, 2010 an increase of 7.0%. In dollars, the Company's net income was \$2,291,000 for the nine months ended September 30, 2011, an increase of \$197,000, or 9.4% compared with net income of \$2,094,000 for the same period in 2010.

Net Interest Income

Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income increased 3.2%, or \$359,000, for the nine months ended September 30, 2011 compared to the same period in 2010.

Provision for Loan Losses

The provision for loan losses was \$1.5 million for the nine months ended September 30, 2011, compared to \$1.1 million for the same period in 2010. The increase in loan loss provision for the nine-month period ended September 30, 2011, was based upon an increase in the level of loans charged off in the 2011 period and on the effects of the economic challenges facing the banking industry and within the communities we serve.

Noninterest Income

Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sales of loans in the secondary market, ATM income, early redemption penalties for certificates of deposit, safe deposit rental income, internet bank service fees, earnings on bank-owned life insurance and other miscellaneous items.

Noninterest income for the nine months ended September 30, 2011 was \$2,791,000, an increase of \$260,000 or 10.3%, compared to \$2,531,000 for the nine-month period ended September 30, 2010. During the nine months ended September 30, 2011, the increase in noninterest income was due to an increase in realized gains on sales of securities of \$323,000 and a \$100,000 BOLI benefit in excess of policy surrender value. Comparing the same periods, customer service fees on deposits decreased \$144,000, due in part to changes in the way our overdraft program is structured as a result of regulatory guidance related to customer overdraft fees.

Noninterest Expense

Noninterest expense was \$10.1 million for the nine months ended September 30, 2011, a decrease of \$462,000, or 4.4% compared to the nine months ended September 30, 2010. Salaries and employee benefit expense decreased \$166,000, or 3.2%, for the period ended September 30, 2011 compared to the same period in 2010. This decrease was primarily due to the Company's efforts to gain costs savings due to a reduction in staff related to the efficiencies gained from the 2010 core system implementation. Professional fees increased \$122,000, or 21.5%, for the nine

months ended September 30, 2011, as compared to the same period in 2010 due to additional costs associated with the increased levels of foreclosed assets. Occupancy and equipment expense increased \$61,000, or 4.8% for the nine months ended September 30, 2011 as compared to the same period in 2010. Increased depreciation expense on premises, computer hardware and software and related service maintenance was the primary reason for the increase. Deposit insurance premiums decreased \$137,000, or 36.3% for the nine months ended September 30, 2011, as compared to the same period in 2010, due primarily to a decrease in insurance rates. The Company also recorded a \$49,000 impairment on the value of certain repossessed properties.



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#### Federal Income Taxes

The provision for federal income taxes was \$594,000 for the nine months ended September 30, 2011, an increase of \$392,000 compared to the same period in 2010. The increase in tax expense was due primarily to a \$589,000 increase in pretax income and a decline in the amount of non-taxable income year-to-year. In addition, during the third quarter of 2010, the Company recognized a tax benefit resulting from the resolution of a tax contingency, which reduced federal income taxes by approximately \$120,000. The effective tax rate was 20.6% and 8.8% for the nine months ended September 30, 2011 and 2010, respectively.

#### Results of Operations for the Three Months Ended September 30, 2011 and 2010

##### Net Income

Diluted earnings per share for the three months ended September 30, 2011 totaled \$0.16 compared with \$0.15 for the three months ended September 30, 2010. In dollars, the Company's net income was \$801,000 for the three months ended September 30, 2011, an increase of \$91,000, or 12.8% compared with net income of \$710,000 for the same period in 2010.

##### Net Interest Income

Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income increased 2.9%, or \$109,000, for the three months ended September 30, 2011 compared to the same period in 2010.

##### Provision for Loan Losses

The provision for loan losses was \$401,000 for the three months ended September 30, 2011, compared to \$321,000 for the same period in 2010. The increase in loan loss provision for the three-month period ended September 30, 2011, was based primarily upon the economic challenges facing the banking industry.

##### Noninterest Income

Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sales of loans in the secondary market, ATM income, early redemption penalties for certificates of deposit, safe deposit rental income, internet bank service fees, earnings on bank-owned life insurance and other miscellaneous items.

Noninterest income for the three months ended September 30, 2011 was \$832,000, a decrease of \$64,000, or 7.1%, compared to \$896,000 for the three-month period ended September 30, 2010. Comparing the same periods, customer service fees on deposits decreased \$9,000 due in part to changes in the way our overdraft program is structured as a result of pending regulatory guidance related to customer overdraft fees.



United Bancorp, Inc.  
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### Noninterest Expense

Noninterest expense was \$3,300,000 for the three months ended September 30, 2011, a decrease of \$387,000 or 10.5%, compared to the three months ended September 30, 2010. Salaries and employee benefit expense decreased \$115,000, or 6.6%, for the three month period ended September 30, 2011, compared to the same period in 2010. This decrease was primarily due to the Company's efforts to gain costs savings due to a reduction in staff related to the efficiencies gained from the 2010 core system implementation. Professional fees increased \$88,000, or 50.6%, for the three month ended September 30, 2011, as compared to the same period in 2010 due to additional costs associated with the increased levels of foreclosed assets and increased costs related to implementation of new regulatory compliance matters. Occupancy and equipment expense increased \$25,000 for the three months ended September 30, 2011 over the same period in 2010. Increased depreciation expense on premises, computer hardware and software and related service maintenance was the primary reason for the increase. Deposit insurance premiums decreased \$104,000, or 75.9% for the three months ended September 30, 2011, as compared to the same period in 2010, due primarily to a decrease in insurance rates.

### Federal Income Taxes

The provision for federal income taxes was \$260,000 for the three months ended September 30, 2011, an increase of \$261,000 compared to the same period in 2010. The increase in tax expense was due primarily to a \$352,000 increase in pretax income. In addition, during the third quarter of 2010, the Company recognized a tax benefit resulting from the resolution of a tax contingency, which reduced federal income taxes by approximately \$120,000.

### Capital Resources

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled \$36.6 million at September 30, 2011 compared to \$35.6 million at December 31, 2010, a \$1,062,000 increase. Total stockholders' equity in relation to total assets was 8.85% at September 30, 2011 and 8.40% at December 31, 2010.

In 2001, our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date.

The Company has offered for many years a Dividend Reinvestment Plan ("The Plan") for shareholders under which the Company's common stock will be purchased by the Plan for participants with automatically reinvested dividends. The Plan does not represent a change in the Company's dividend policy or a guarantee of future dividends.

The Company is subject to the regulatory requirements of The Federal Reserve System as a bank holding company. The Bank is subject to regulations of the FDIC and the State of Ohio, Division of Financial Institutions. The most important of these various regulations address capital adequacy.



United Bancorp, Inc.  
Management's Discussion and Analysis of Financial  
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The minimums related to such capital requirements are:

	Total Capital To Risk-Weighted Assets		Tier 1 Capital To Risk-Weighted Assets		Tier 1 Capital To Average Assets	
Well capitalized	10.00	%	6.00	%	5.00	%
Adequately capitalized	8.00	%	4.00	%	4.00	%
Undercapitalized	6.00	%	3.00	%	3.00	%

The following table illustrates the Company's "well-capitalized" classification at September 30, 2011.

	September 30, 2011 (Dollars in thousands)	
Tier 1 capital	\$	39,677
Total risk-based capital		42,743
Risk-weighted assets		298,131
Average total assets		426,492
Total risk-based capital ratio		14.34 %
Tier 1 risk-based capital ratio		13.31 %
Tier 1 capital to average assets		9.30 %

### Liquidity

Management's objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of its customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net income, loan payments, maturing securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to, the purchase of federal funds, the ability to borrow funds under line of credit agreements with correspondent banks, a borrowing agreement with the Federal Home Loan Bank of Cincinnati and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy and profitability to meet the current and projected liquidity needs of its customers.

United Bancorp, Inc.  
Management's Discussion and Analysis of Financial  
Condition and Results of Operations

Inflation

Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, certain impaired loans and certain other real estate and loans that may be measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other, but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 4. Controls and Procedures

The Company, under the supervision, and with the participation, of its management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the requirements of Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011, in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's periodic SEC filings.

There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

United Bancorp, Inc.  
Part II – Other Information

ITEM 1. Legal Proceedings

None, other than ordinary routine litigation incidental to the Company's business.

ITEM 1A. Risk Factors

There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's Form 10-K for the year ended December 31, 2010, filed on March 25, 2011.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c)	(d)
			Total Number of Shares (or Units) Purchased as Part Of Publicly Announced Plans Or Programs	Maximum Number or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 7/1/2011 to 7/31/2011	—	—	—	—
Month #2 8/1/2011 to 8/31/2011	—	—	—	—
Month #3 9/1/2011 to 9/30/2011	5,318	\$ 8.54	—	—

SALES OF UNREGISTERED SECURITIES

The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and Company officers. Under the Plan, directors may defer up to 100% of their fee and other eligible participants may defer up to 50% of their annual incentive award payable to them by the Company, which are used to acquire common shares which are credited to a participant's respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant's account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company's stock. All purchases under this deferred compensation plan are funded with either earned director fees or officer incentive award payments. No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof.

All shares credited to participant accounts under the Plan are purchased by the Company in open market transactions. During the quarter ended September 30, 2011, the Company credited 5,318 shares to participant accounts for the aggregate cash consideration of \$45,415.72, or \$8.54 per share.





United Bancorp, Inc.  
Part II – Other Information

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. (Removed and Reserved)

Not applicable.

ITEM 5. Exhibits

EX-3.1	Amended Articles of Incorporation of United Bancorp, Inc. (1)
EX-3.2	Amended Code of Regulations of United Bancorp, Inc. (2)
EX-4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
EX 31.1	Rule 13a-14(a) Certification – CEO
EX 31.2	Rule 13a-14(a) Certification – CFO
EX 32.1	Section 1350 Certification – CEO
EX 32.2	Section 1350 Certification – CFO

(1) Incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.

(2) Incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.

United Bancorp, Inc.  
Part II – Other Information

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/United Bancorp, Inc.

Date: November 10, 2011

By:

/s/James W. Everson  
James W. Everson  
Chairman, President and Chief  
Executive Officer

Date: November 10, 2011

By:

/s/Randall M. Greenwood  
Randall M. Greenwood  
Senior Vice President, Chief  
Financial  
Officer and Treasurer

United Bancorp, Inc.  
Part II – Other Information

Exhibit Index

Exhibit No.	Description
3.1	Amended Articles of Incorporation of United Bancorp, Inc. incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.
3.2	Amended Code of Regulations of United Bancorp, Inc. incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.
4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
31.1	Rule 13a-14(a) Certification – Principal Executive Officer
31.2	Rule 13a-14(a) Certification – Principal Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.