

UNITED BANCORP INC /OH/  
Form 10-Q  
November 14, 2017

**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, 2017

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.**

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(Exact name of registrant as specified in its charter)

Ohio 34-1405357  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

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 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). x Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

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 3, 2017, 5,435,304 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, 2017 <b>(Unaudited)</b>	December 31, 2016
<b>Assets</b>		
Cash and due from banks	\$ 4,692	\$ 4,233
Interest-bearing demand deposits	18,416	7,308
Cash and cash equivalents	23,108	11,541
Available-for-sale securities	39,129	39,766
Loans, net of allowance for loan losses of \$2,195 and \$2,341 at September 30, 2017 and December 31, 2016, respectively	358,194	354,380
Premises and equipment	11,867	11,884
Federal Home Loan Bank stock	4,164	4,164
Foreclosed assets held for sale, net	434	335
Accrued interest receivable	913	840
Deferred income taxes	823	850
Bank-owned life insurance	12,049	11,822
Other assets	3,830	2,436
<b>Total assets</b>	<b>\$ 454,511</b>	<b>\$ 438,018</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Demand	\$ 233,642	\$ 203,745
Savings	81,770	81,825
Time	65,439	53,233
<b>Total deposits</b>	<b>380,851</b>	<b>338,803</b>
Securities sold under repurchase agreements	16,188	9,393
Federal Home Loan Bank advances	5,257	39,855
Subordinated debentures	4,124	4,124
Interest payable and other liabilities	3,975	3,202
<b>Total liabilities</b>	<b>410,395</b>	<b>395,377</b>
<b>Stockholders' Equity</b>		
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued	—	—

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Common stock, \$1 par value; authorized 10,000,000 shares; issued 2017 –5,435,304 shares, 2016 – 5,425,304 shares; outstanding 2017 – 5,429,560, 2016 - 5,208,051	5,435		5,425	
Additional paid-in capital	17,983		18,024	
Retained earnings	23,404		22,483	
Stock held by deferred compensation plan; 2017 –180,623 shares, 2016 – 211,509 shares	(1,616	)	(1,880	)
Unearned ESOP compensation	(830	)	(911	)
Accumulated other comprehensive loss	(214	)	(454	)
Treasury stock, at cost 2017 –5,744 shares, 2016 – 5,744 shares	(46	)	(46	)
Total stockholders' equity	44,116		42,641	
Total liabilities and stockholders' equity	\$ 454,511		\$ 438,018	

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

## Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Interest and dividend income				
Loans, including fees	\$ 4,345	\$ 4,014	\$ 12,457	\$ 11,931
Taxable securities	118	85	330	237
Non-taxable securities	—	18	7	67
Federal funds sold	68	7	115	30
Dividends on Federal Home Loan Bank stock and other	55	42	151	126
Total interest and dividend income	4,586	4,166	13,060	12,391
Interest expense				
Deposits				
Demand	144	34	331	91
Savings	9	9	28	27
Time	182	140	500	453
Borrowings	114	249	466	773
Total interest expense	449	432	1,325	1,344
Net interest income	4,137	3,734	11,735	11,047
Provision for loan losses	25	131	75	307
Net interest income after provision for loan losses	4,112	3,603	11,660	10,740
Noninterest income				
Service charges on deposit accounts	633	667	1,862	1,968
Realized gains on sales of loans	44	25	88	68
Other income	215	364	643	789
Total noninterest income	892	1,056	2,593	2,825
Noninterest expense				
Salaries and employee benefits	1,799	1,835	5,391	5,185
Net occupancy and equipment expense	529	507	1,562	1,388
Professional services	145	175	573	555
Insurance	91	60	230	165
Deposit insurance premiums	53	63	141	169
Franchise and other taxes	97	76	277	244
Advertising	108	86	317	237
Stationery and office supplies	24	28	93	85
Net realized loss on sale of other real estate and repossessions	16	6	12	16
Other expenses	594	509	1,571	1,694
Total noninterest expense	3,456	3,345	10,167	9,738

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Income before federal income taxes	1,548	1,314	4,086	3,827
Federal income taxes	548	386	1,320	1,148
Net income	\$ 1,000	\$ 928	\$ 2,766	\$ 2,679
EARNINGS PER COMMON SHARE				
Basic	\$ 0.20	\$ 0.18	\$ 0.56	\$ 0.54
Diluted	\$ 0.20	\$ 0.18	\$ 0.55	\$ 0.53
DIVIDENDS PER COMMON SHARE				
	\$ 0.12	\$ 0.11	\$ 0.34	\$ 0.31

See Notes to Condensed Consolidated Financial Statements



United Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income	\$ 1,000	\$ 928	\$ 2,766	\$ 2,679
Other comprehensive income, net of tax:				
Unrealized holding (losses) gains on securities during the period, net of taxes (benefits) of \$(4), \$(3), \$123 and \$1 for each respective period	(8 )	(6 )	240	2
Comprehensive income	\$ 992	\$ 922	\$ 3,006	\$ 2,681

*See Notes to Condensed Consolidated Financial Statements*

United Bancorp, Inc.

## Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2017	2016
<b>Operating Activities</b>		
Net income	\$2,766	\$2,679
Items not requiring (providing) cash		
Depreciation and amortization	683	601
Expense related to share based compensation plans	104	103
Provision for loan losses	75	307
Provision for losses on foreclosed real estate	—	6
Bank-owned life insurance	(227 )	(233 )
Accretion of premiums and discounts on securities, net	—	(1 )
Originations of loans held for sale	(3,772 )	(3,294 )
Proceeds from sale of loans held for sale	3,860	3,362
Realized gains on sales of loans	(88 )	(68 )
Amortization of ESOP	210	165
Realized losses on sales of other real estate and repossessed assets	12	16
Realized gains on sale of Bankers Bancshares, Inc.	—	(162 )
Amortization of mortgage servicing rights	5	9
Net change in accrued interest receivable and other assets	(1,660 )	(286 )
Net change in accrued expenses and other liabilities	773	(309 )
Net cash provided by operating activities	2,741	2,895
<b>Investing Activities</b>		
Securities available for sale:		
Maturities, prepayments and calls	7,249	23,827
Purchases	(6,248 )	(21,000 )
Proceeds from sale of available-for-sale securities	—	—
Securities held to maturity:		
Maturities, prepayments and calls	—	—
Net change in loans	(3,909 )	(21,250 )
Proceeds from sale of Great Lake Bankers Bank stock	—	208
Purchases of premises and equipment	(674 )	(1,959 )
Proceeds from sale of other real estate and repossessed assets and premise and equipment	9	70

Net cash used by investing activities	(3,573)	(20,104)
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See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2017	2016
<b>Financing Activities</b>		
Net change in deposits	\$42,048	\$4,490
Net change in short-term borrowings	6,795	7,863
Net change in Federal Home Loan Bank overnight borrowings	(19,500)	13,200
Repayments of long-term borrowings	(15,098)	(6,125 )
Cash dividends paid on common stock	(1,846 )	(1,673 )
 Net cash provided by financing activities	 12,399	 17,755
 Increase (Decrease) in Cash and Cash Equivalents	 11,567	 546
Cash and Cash Equivalents, Beginning of Period	11,541	12,701
 Cash and Cash Equivalents, End of Period	 \$23,108	 \$13,247
 <b>Supplemental Cash Flows Information</b>		
Interest paid on deposits and borrowings	\$1,370	\$1,362
 Federal income taxes paid	 \$448	 \$1,007

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, 2017 and 2016

#### 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, 2017, 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, 2016 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 months and nine months ended, 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, 2016 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, Unified Bank. Prior to October 10, 2017 The Company’s wholly-owned subsidiary was The Citizens Savings Bank of Martins Ferry, Ohio (“the Bank” or “Citizens”). The Bank operated two divisions, The Community Bank, a division of The Citizens Savings Bank and The Citizens Bank, a division of The Citizens Savings Bank. As of October 10, 2017 the name of the Citizens Savings Bank was changed to Unified 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 of Unified Bank are mainly located in Athens, Belmont, Carroll, Fairfield, Harrison, 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. Unified Bank conducts its business through its main office in Martins Ferry, Ohio and branches in Amesville, Bridgeport, Colerain, Dellroy, Dillonvale, Dover, Glouster, Jewett, Lancaster, Nelsonville, New Philadelphia, St. Clairsville East, St. Clairsville West, Sherrodsville, Strasburg, and Tiltonsville, Ohio. Unified Bank also operates a Loan Production office in Wheeling, West Virginia. 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 branch locations.

#### 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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

## Loans

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

For loans amortized at cost, interest income is accrued based 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.

For all loan classes, the accrual of interest 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. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges-off residential and consumer loans when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value less costs to sell when the loan is 120 days past due, charge-off of unsecured open-end loans when the loan is 120 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are 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. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

#### 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 uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability 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.

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 non-impaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior three years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment 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 based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. 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 non-homogenous type loans such as commercial, non-owner residential 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. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal is over a year old, and a new appraisal is not performed, due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted generally 10% -35% based on the age of the appraisal, condition of the subject property, and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses. The potential for outdated appraisal values is considered in our determination of the allowance for loan losses through our analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment'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.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work-out a satisfactory payment plan.

It is the Company's policy to have any restructured loans which are on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, trouble debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

#### Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and restricted stock awards and are determined using the treasury stock method.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Treasury stock shares, deferred compensation shares and unearned ESOP shares are not deemed outstanding for earnings per share calculations.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	<b>(In thousands, except share and per share data)</b>			
<b>Basic</b>				
Net income	\$1,000	\$928	\$2,766	\$2,679
Dividends on non-vested restricted stock	(9 )	(20 )	(26 )	(48 )
Net income allocated to stockholders	\$991	\$908	\$2,740	\$2,631
Weighted average common shares outstanding	4,882,238	4,944,328	4,855,305	4,895,371
Basic earnings per common share	\$0.20	\$0.18	\$0.56	\$0.54
<b>Diluted</b>				
Net income allocated to stockholders	\$991	\$908	\$2,740	\$2,631
Weighted average common shares outstanding for basic earnings per common share	4,882,238	4,944,328	4,855,305	4,895,371
Add: Dilutive effects of assumed exercise of stock options and restricted stock	127,093	116,277	128,093	116,276
Average shares and dilutive potential common shares	5,009,331	5,060,605	4,983,395	5,011,647
Diluted earnings per common share	\$0.20	\$0.18	\$0.55	\$0.53

#### 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 2013.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

#### Recent Accounting Pronouncements

ASU No. 2017-09 was issued in May 2017 and provides guidance about which changes to the terms or condition of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company assessed ASU 2017-09 and does not expect a significant impact on its accounting and disclosures.

ASU No. 2017-07 was issued in March 2017 and applies to all employers that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined, are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in ASU No. 2017-07 are effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The amendments in this update are to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement. The Company assessed ASU 2017-07 and does not expect a significant impact on its accounting and disclosures.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15 *"Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments."* ASU 2016-15 provides cash flow statement classification guidance for certain transactions including how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company assessed ASU 2016-15 and does not expect a significant impact on its accounting and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments-Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments."* The provisions of ASU 2016-13 were issued to provide financial

statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets.

For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination ("PCD assets") that are measured at amortized cost, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses on PCD assets are recognized through the statement of income as a credit loss expense.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security.

ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. The Allowance for Loan Losses (ALL) estimate is material to the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. In addition, the current accounting policy and procedures for the other-than-temporary impairment on available-for-sale securities will be replaced with an allowance approach. The Company continues to work with an outside vendor to begin developing and implementing processes during the next two years to ensure it is fully compliant with the amendments at adoption date. For additional information on the allowance for loan losses, see Note 3.

*ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities"*

ASU No. 2016-01 was issued in January 2016 and applies to all entities that hold financial assets or owe financial liabilities. ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by requiring equity investments to be measured at fair value with changes in fair value recognized in net income; requiring public entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured and amortized at cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instruments specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 is effective for annual periods and interim periods within those periods, beginning after December 15, 2017. The



amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity instruments that exist as of the date of adoption. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company's financial position or results of operations since it does not have any equity securities or a valuation allowance. However, the amendments will have an impact on certain items that are disclosed at fair value that are not currently utilizing the exit price notion when measuring fair value. The Company is continuing to assess the impact of ASC 2016-01 on its fair value and other disclosure requirements. The current accounting policies and procedures will be modified after the Company has fully evaluated the standard to comply with the accounting changes mentioned above. For additional information on fair value of assets and liabilities, see Note 16.

United Bancorp, Inc.

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For the Three and Nine Months Ended September 30, 2017 and 2016

In May 2014, the FASB issued ASU No. 2014-09 “*Revenue from Contracts with Customers (Topic 606)*” (ASU 2014-09). This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 – Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. Originally, the amendments in ASU 2014-09 were effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not allowed. In July 2015, the FASB extended the implementation date to annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Transitional guidance is included in the update. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within that reporting period. The Company’s revenue is comprised of net interest income, which is explicitly excluded from the scope of ASU 2014-09, and non interest income. ASU 2014-09 may require the Company to change how it recognizes certain revenue streams related to the non interest income and additional disclosures will be required. The Company continues to follow the guidance of the FASB and the Transition Resource Group for Revenue Recognition related to non interest income and expects the adoption of ASU 2014-09 on January 1, 2018 will not have a material impact on its results of operations and financial condition.

On February 25, 2016, the FASB issued ASU 2016-02 “*Leases (Topic 842)*.” ASU 2016-02 is intended to improve financial reporting about leasing transactions. This ASU affects all companies and other organization that lease assets such as real estate, airplanes, and manufacturing equipment.

Under the current accounting model, an organization applies a classification test to determine the accounting for the lease arrangement:

- (a) Some leases are classified as capital where by the lessee would recognize lease assets and liabilities on the balance sheet.

- (b) Other leases are classified as operating leases whereby the lessee would not recognize lease assets and liabilities on the balance sheet.

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease.

However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet.

For public companies, the ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Thus, for a calendar year company, it would be effective January 1, 2019. The impact is not expected to have a material effect on the Company's financial position or results of operations since the Company does not have a material amount of lease agreements.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<b>(In thousands)</b>			
Available-for-sale Securities:				
September 30, 2017				
U.S. government agencies	\$39,249	\$ —	\$ (120)	) \$39,129
	\$39,249	\$ —	\$ (120)	) \$39,129
Available-for-sale Securities:				
December 31, 2016:				
U.S. government agencies	\$39,000	\$ —	\$ (486)	) \$38,514
State and political subdivisions	1,249	3	—	1,249
	\$40,249	\$ 3	\$ (486)	) \$39,766

The amortized cost and fair value of available-for-sale securities at September 30, 2017, 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 Amortized Cost	Fair Value
	<b>(in thousands)</b>	
One to five years	39,249	39,129
Totals	\$39,249	\$39,129

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$36.1 and \$27.9 million at September 30, 2017 and December 31, 2016, respectively.

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, 2017 and December 31, 2016, was \$6.0 million and \$38.5 million, which represented approximately 15.3% and 96.6%, respectively, of the Company's available-for-sale 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 and are a result on an general increase in longer term interest rates.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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, 2017 and December 31, 2016:

September 30, 2017

Description of Securities (In thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	\$ 30,154	\$ (94 )	\$ 8,975	\$ (26 )	\$ 39,129	\$ (120 )

December 31, 2016

Description of Securities (In thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	\$ 38,514	\$ (486 )	\$ —	\$ —	\$ 38,514	\$ (486 )

The unrealized losses on the Company's investments in U.S. Government agency 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 likely the Company will be required or need 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, 2017 and December 31, 2016.

There were no available-for-sale investment sales for the nine months ended September 30, 2017 and 2016. There were no investment sales for the three months ended September 30, 2017 and 2016.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	September 30, 2017	December 31, 2016
	<b>(In thousands)</b>	
Commercial loans	\$75,288	\$ 74,514
Commercial real estate	195,727	191,686
Residential real estate	76,501	76,154
Installment loans	12,873	14,367
 Total gross loans	 360,389	 356,721
Less allowance for loan losses	(2,195 )	(2,341 )
 Total loans	 \$358,194	 \$ 354,380

The risk characteristics of each loan portfolio segment are as follows:

#### Commercial

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.



Commercial Real Estate

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Residential and Consumer

Residential and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

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Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

**Allowance for Loan Losses and Recorded Investment in Loans****As of and for the three and nine month period ended September 30, 2017**

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Balance, July 1, 2017	\$532	\$845	\$447	\$291	\$177	\$2,292
Provision charged to expense	(26 )	13	1	43	(6 )	25
Losses charged off	(30 )	(59 )	(6 )	(40 )	—	(135 )
Recoveries	—	1	1	11	—	13
Balance, September 30, 2017	\$476	\$800	\$443	\$305	\$171	\$2,195
Balance, January 1, 2017	\$495	\$804	\$591	\$107	\$344	\$2,341
Provision charged to expense	10	57	(149 )	330	(173 )	75
Losses charged off	(30 )	(64 )	(6 )	(167 )	—	(267 )
Recoveries	1	3	7	35	—	46
Balance, September 30, 2017	\$476	\$800	\$443	\$305	\$171	\$2,195
Ending balance: individually evaluated for impairment	\$3	\$120	\$—	\$—	\$—	\$123
Ending balance: collectively evaluated for impairment	\$473	\$680	\$443	\$305	\$171	\$2,072
Loans:						
Ending balance: individually evaluated for impairment	\$95	\$661	\$—	\$305	\$—	\$1,061
Ending balance: collectively evaluated for impairment	\$75,193	\$195,066	\$76,501	\$12,568	\$—	\$359,328

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

**Allowance for Loan Losses and Recorded Investment in Loans****As of and for the three and nine month period ended September 30, 2016**

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Balance, July 1, 2016	\$497	\$427	\$163	\$141	\$1,237	\$2,465
Provision charged to expense	(272 )	246	11	41	105	131
Losses charged off	—	(108 )	(24 )	(53 )	—	(185 )
Recoveries	1	14	10	18	—	43
Balance, September 30, 2016	\$226	\$579	\$160	\$147	\$1,342	\$2,454
Balance, January 1, 2016	\$184	\$597	\$170	\$113	\$1,373	\$2,437
Provision charged to expense	(34 )	69	83	220	(31 )	307
Losses charged off	(2 )	(108 )	(115 )	(244 )	—	(469 )
Recoveries	78	21	22	58	—	179
Balance, September 30, 2016	\$226	\$579	\$160	\$147	\$1,342	\$2,454
Ending balance: individually evaluated for impairment	\$—	\$156	\$—	\$—	\$—	\$156
Ending balance: collectively evaluated for impairment	\$226	\$423	\$160	\$147	\$1,342	\$2,298
Loans:						
Ending balance: individually evaluated for impairment	\$19	\$1,340	\$—	\$—	\$—	\$1,359
Ending balance: collectively evaluated for impairment	\$89,801	\$167,177	\$77,469	\$14,836	\$—	\$349,283

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

### Allowance for Loan Losses and Recorded Investment in Loans

As of December 31, 2016

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	\$ 11	\$ 108	\$ —	\$ —	\$ —	\$ 119
Ending balance: collectively evaluated for impairment	\$ 484	\$ 696	\$ 591	\$ 107	\$ 344	\$ 2,222
Loans:						
Ending balance: individually evaluated for impairment	\$ 3,148	\$ 1,178	\$ —	\$ 326	\$ —	\$ 4,652
Ending balance: collectively evaluated for impairment	\$ 71,366	\$ 190,508	\$ 76,154	\$ 14,041	\$ —	\$ 352,069

The following tables show the portfolio quality indicators.

Loan Class	September 30, 2017				
	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	\$ 72,464	\$ 191,761	\$ 76,501	\$ 12,567	\$ 353,293
Special Mention	32	3,131	—	—	3,163
Substandard	2,792	835	—	306	3,933
Doubtful	—	—	—	—	—
	\$ 75,288	\$ 195,727	\$ 76,501	\$ 12,873	\$ 360,389

Loan Class	December 31, 2016		Residential	Installment	Total
	Commercial	Commercial Real Estate			
	(In thousands)				
Pass Grade	\$71,302	\$ 187,255	\$ 76,154	\$ 14,041	\$348,752
Special Mention	64	3,253	—	—	3,317
Substandard	3,148	1,178	—	326	4,652
Doubtful	—	—	—	—	—
	\$74,514	\$ 191,686	\$ 76,154	\$ 14,367	\$356,721

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Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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.

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.

The Company evaluates the loan risk grading system definitions and allowance for loan losses methodology on an ongoing basis. No significant changes were made to either during the past year to date period.

**Loan Portfolio Aging Analysis****As of September 30, 2017**

	30-59 Days Past Due and Accruing (In thousands)	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
Commercial	\$ 194	\$ 16	\$ —	\$ 72	\$ 282	\$ 75,006	\$ 75,288
Commercial real estate	163	—	—	487	650	195,077	195,727
Residential	840	89	—	733	1,662	74,839	76,501
Installment	74	—	—	5	79	12,794	12,873
<b>Total</b>	<b>\$ 1,271</b>	<b>\$ 105</b>	<b>\$ —</b>	<b>\$ 1,297</b>	<b>\$ 2,673</b>	<b>\$ 357,716</b>	<b>\$ 360,389</b>



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

### Loan Portfolio Aging Analysis

As of December 31, 2016

	30-59 Days Past Due and Accruing (In thousands)	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
Commercial	\$ 153	\$ 105	\$ 75	\$ 49	\$ 382	\$ 74,132	\$ 74,514
Commercial real estate	—	55	—	335	390	191,296	191,686
Residential	805	135	161	922	2,023	74,131	76,154
Installment	213	8	—	55	276	14,091	14,367
Total	\$ 1,171	\$ 303	\$ 236	\$ 1,361	\$ 3,071	\$ 353,650	\$ 356,721

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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

**Impaired Loans**

	As of September 30, 2017			For the three months ended		For the nine months ended	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
	(In thousands)						
Loans without a specific valuation allowance:							
Commercial	\$64	\$ 64	\$ —	\$ 65	\$ —	\$ 62	\$ 2
Commercial real estate	180	180	—	592	3	607	8
Residential	—	—	—	—	—	—	—
Installment	306	306	—	306	—	313	3
	550	550	—	963	3	982	13
Loans with a specific valuation allowance:							
Commercial	30	30	3	30	4	97	7
Commercial real estate	481	481	120	535	2	496	14
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	511	511	123	565	6	593	21
Total:							
Commercial	\$94	\$ 94	\$ 3	\$ 95	\$ 4	\$ 159	\$ 9
Commercial real estate	\$661	\$ 661	\$ 120	\$ 1,127	\$ 5	\$ 1,103	\$ 22
Residential	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Installment	\$306	\$ 306	\$ —	\$ 306	\$ —	\$ 313	\$ 3

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

### Impaired Loans

	As of December 31, 2016			For the three months ended		For the nine months ended	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
(In thousands)							
Loans without a specific valuation allowance:							
Commercial	\$2,975	\$ 2,975	\$ —	\$ 19	\$ —	\$ 19	\$ —
Commercial real estate	658	766	—	1,219	15	1,228	32
Residential	—	—	—	—	—	—	—
Installment	326	326	—	—	—	—	—
	3,959	4,067	—	1,238	15	1,247	32
Loans with a specific valuation allowance:							
Commercial	173	173	11	—	—	—	—
Commercial real estate	520	520	108	757	4	769	21
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	2
	693	693	119	757	4	769	23
Total:							
Commercial	\$3,148	\$ 3,148	\$ 11	\$ 19	\$ —	\$ 19	\$ —
Commercial real estate	\$1,178	\$ 1,286	\$ 108	\$ 1,976	\$ 19	\$ 1,997	\$ 53
Residential	\$326	\$ 326	\$ —	\$ —	\$ —	\$ —	\$ —
Installment	\$—	\$—	\$ —	\$ —	\$ —	\$ —	\$ 2

Interest income recognized on a cash basis was not materially different than interest income recognized.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

For the TDRs noted in the tables below, the Company extended the maturity dates and granted interest rate concessions as part of each of those loan restructurings. The loans included in the tables are considered impaired and specific loss calculations are performed on the individual loans. In conjunction with the restructuring there were no amounts charged-off.

Three Months ended September 30, 2017

	Number of Contracts	Pre- Modification Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	2	\$ 40	\$ 40
Commercial real estate	1	62	62
Residential	—	—	—
Installment	—	—	—

(In thousands)

Three Months ended September 30, 2017

	Interest Only	Term	Combination	Total Modification
Commercial	\$ —	\$ 40	\$ —	\$ 40
Commercial real estate	—	62	—	62
Residential	—	—	—	—
Consumer	—	—	—	—

(In thousands)

Nine Months ended September 30, 2017

	Number of Contracts	Pre- Modification Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	2	\$ 40	\$ 40

(In thousands)

Commercial real estate	3	189	165
Residential	—	—	—
Installment	—	—	—

Nine Months Ended September 30, 2017

	Interest Only	Term	Combination	Total Modification
--	------------------	------	-------------	-----------------------

(In thousands)

Commercial	\$ —	\$ 40	\$ —	\$ 40
Commercial real estate	—	165	—	165
Residential	—	—	—	—
Consumer	—	—	—	—

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

Three Months ended September 30, 2016

		Pre- Modification	Post-Modification
	Number of Outstanding	Outstanding	Outstanding
	Contracts Recorded	Recorded	Recorded
	Investment	Investment	Investment
	(In thousands)		
Commercial	1	\$ 17	\$ 17
Commercial real estate	1	29	29
Residential	—	—	—
Installment	—	—	—

Three Months Ended September 30, 2016

	Interest	Term	Combination	Total
	Only			Modification
	(In thousands)			
Commercial	\$ —	\$ 17	\$ —	\$ 17
Commercial real estate	—	29	—	29
Residential	—	—	—	—
Consumer	—	—	—	—

Nine Months ended September 30, 2016

		Pre- Modification	Post-Modification
	Number of Outstanding	Outstanding	Outstanding
	Contracts Recorded	Recorded	Recorded
	Investment	Investment	Investment
	(In thousands)		
Commercial	1	\$ 17	\$ 17
Commercial real estate	3	115	115
Residential	—	—	—
Installment	—	—	—

Nine Months Ended September 30, 2016

Term	Combination
------	-------------

	Interest Only			Total Modification
	<b>(In thousands)</b>			
Commercial	\$ —	\$ 17	\$ —	\$ 17
Commercial real estate	—	115	—	115
Residential	—	—	—	—
Consumer	—	—	—	—

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

During the nine the months ended September 30, 2017, troubled debt restructurings described above increased the allowance for loan losses by \$20,000. During the nine the months ended September 30, 2016, troubled debt restructurings described above increased the allowance for loan losses by \$8,000. At September 30, 2017 and 2016 and for three and nine month periods then ended, there were no material defaults of any troubled debt restructurings that were modified in the last 12 months. The Company generally considers TDR's that become 90 days or more past due under the modified terms as subsequently defaulted.

Note 4: Benefit Plans

Pension expense includes the following:

	Three months ended September 30, 2017 2016		Nine months ended September 30, 2017 2016	
	(In thousands)			
Service cost	\$68	\$78	\$ 204	\$ 234
Interest cost	50	50	150	150
Expected return on assets	(90)	(86)	(270 )	(258 )
Amortization of prior service cost and net loss	(6 )	(2 )	(18 )	(6 )
Pension expense	\$22	\$40	\$ 66	\$ 120

Note 5: 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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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, 2017	December 31, 2016
	(In thousands)	
Commercial loans unused lines of credit	\$23,429	\$ 20,942
Commitment to originate loans	11,887	12,349
Consumer open end lines of credit	37,567	35,590

Note 6: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

	September 30, 2017	December 31, 2016	
	(In thousands)		
Net unrealized loss on securities available-for-sale	\$(120)	\$ (483)	)
Net unrealized loss for funded status of defined benefit plan liability	(205)	(205)	)
	(325)	(688)	)
Tax effect	111	234	
Net-of-tax amount	\$(214)	\$ (454)	)

Note 7: 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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation 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, 2017 and December 31, 2016:

	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)				
September 30, 2017				
U.S. government agencies	\$39,129	\$ —	\$ 39,129	\$ —
December 31, 2016				
U.S. government agencies	\$38,514	\$ —	\$ 38,514	\$ —
State and political subdivisions	1,252	—	1,252	—



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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 assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

#### 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.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Company's Chief Lender. Appraisals are reviewed for accuracy and consistency by the Company's Chief Lender. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Company's Chief Lender by comparison to historical results.

#### 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, 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.

Appraisals of OREO are obtained when the real estate is acquired and subsequently as deemed necessary by the Company's Chief lender. Appraisals are reviewed for accuracy and consistency by the Company's Chief Lender and are selected from the list of approved appraisers maintained by management.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

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, 2017 and December 31, 2016.

	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)				
September 30, 2017				
Collateral dependent impaired loans	\$ 363	\$ —	\$ —	\$ 363
Foreclosed assets held for sale	174	—	—	174
December 31, 2016				
Collateral dependent impaired loans	\$ 3,435	\$ —	\$ —	\$ 3,435
Foreclosed assets held for sale	249	—	—	249

#### Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Unobservable Inputs	Range
(In thousands)				
Collateral-dependent impaired loans	\$ 363	Market comparable properties	Comparability adjustments	Not available
Foreclosed assets held for sale	174	Market comparable properties	Marketability discount	10% – 15%



	Fair Value 12/31/16 (In thousands)	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	\$3,435	Market comparable properties	Comparability adjustments	Not available
Foreclosed assets held for sale	\$249	Market comparable properties	Marketability discount	10% – 35%

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

There were no significant changes in the valuation techniques used during 2017.

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. 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.

	Carrying Amount	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)				
September 30, 2017				
Financial assets				
Cash and cash equivalents	\$23,108	\$23,108	\$ —	\$ —
Loans, net of allowance	358,194	—	—	361,023
Federal Home Loan Bank stock	4,164	—	4,164	—
Accrued interest receivable	913	—	913	—
Financial liabilities				
Deposits	380,851	—	351,459	—
Short term borrowings	16,188	—	16,188	—
Federal Home Loan Bank Advances	5,257	—	5,281	—
Subordinated debentures	4,124	—	3,435	—
Interest payable	66	—	66	—

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

	Carrying Amount	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)				
December 31, 2016				
Financial assets				
Cash and cash equivalents	\$11,541	\$11,541	\$ —	\$ —
Loans, net of allowance	354,380	—	—	355,753
Federal Home Loan Bank stock	4,164	—	4,164	—
Accrued interest receivable	840	—	840	—
Financial liabilities				
Deposits	338,803	—	312,240	—
Short term borrowings	9,393	—	9,393	—
Federal Home Loan Bank Advances	39,855	—	40,120	—
Subordinated debentures	4,124	—	3,435	—
Interest payable	111	—	111	—

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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

#### 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, 2017 and December 31, 2016.

Note 8: Repurchase Agreements

Securities sold under agreements to repurchase (“repurchase agreements”) with customers represent funds deposited by customers, generally on an overnight basis that are collateralized by investment securities owned by the Company.

At September 30, 2017 and December 31, 2016, repurchase agreement borrowings totaled \$16,188,000 and \$9,393,000, respectively and are included in short-term borrowings on the consolidated condensed balance sheets. All repurchase agreements are subject to term and conditions of repurchase/security agreements between the Company and the customer and are accounted for as secured borrowings. The Company’s repurchase agreements reflected in short-term borrowings consist of customer accounts and securities which are pledged on an individual security basis.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017 and 2016

The following table presents the Company's repurchase agreements accounted for as secured borrowings:

September 30, 2017	Remaining Contractual Maturity of the Agreement (In thousands)				Total
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	
Repurchase Agreements					
U.S. government agencies	\$ 16,188	\$ —	\$ —	\$ —	\$ 16,188
Total	\$ 16,188	\$ —	\$ —	\$ —	\$ 16,188
December 31, 2016	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreements					
U.S. government agencies	\$ 9,393	\$ —	\$ —	\$ —	\$ 9,393
Total	\$ 9,393	\$ —	\$ —	\$ —	\$ 9,393

These borrowings were collateralized with U.S. government and agency securities with a carrying value of \$17.8 million at September 30, 2017 and \$13.0 million at December 31, 2016. Declines in the fair value would require the Company to pledge additional securities.

**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

**ITEM 2.**

The following discusses the financial condition of the Company as of September 30, 2017, as compared to December 31, 2016, and the results of operations for the three and nine months ended September 30, 2017, compared to the same period in 2016. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

**Introduction**

The Company reported diluted earnings per share of \$0.55 and net income of \$2,766,000 for the nine months ended September 30, 2017, as compared to \$0.53 and \$2,679,000 for the same period in 2016. The Company's diluted earnings per share and net income for the three months ended September 30, 2017 was \$0.20 and \$1,000,000 as compared to \$0.18 and \$928,000 respectively for the prior year, an increase of 11.1% in diluted earnings per share.

We are happy to report on the increase of the net interest income of our Company for the nine months ended September 30, 2017. During this period, the Company's net interest income increased by \$688,000, or 6.2%, from the previous year. The primary driver of this increase of the Company's net interest income was the increase in interest income on loans, which was up by \$508,000, or 4.5%, year-over-year. The increase in the interest income that our Company realized is directly attributed to the focus that we had on enhancing our lending platform over the course of the past year. For the year, our Company had an increase in its average loans of \$14.2 million or 4.1%. Our company was able to achieve this level of growth in its loans outstanding while maintaining its overall stability in credit quality. Year-over-year, the Company continued to have very solid credit quality-related metrics supported by nonaccrual loans and loans past due 30+ days decreasing from a level of \$2.75 million to \$2.67 million, a decline of \$80,000. Further— net loans charged off, excluding overdrafts, was \$154,000 through September 30, 2017, which is a decrease of \$48,000 from the previous year. At this present level, total past due and nonaccrual loans to gross loans is a very solid 0.70%, versus 0.80% the prior year. In addition, net charge offs to average loans was 0.06% for the nine months ended September 30, 2017. The net interest income for our Company increased year-over-year even as we focused on growing retail core deposits to fund our loan growth. Total deposits increased by \$52.7 million, or 16.1%, to a level of \$380.9 million as of September 30, 2017. The Company was able to control its overall interest expense levels by attracting lower-cost funding alternatives. Overall, the Company saw low-cost retail funding (consisting of non-interest and interest bearing demand and savings deposits) comprise \$41.2 million of its growth in retail deposits

year-over-year. In addition, the Company's time deposits, which consist of certificate of deposit or term funding, increased by \$11.6 million for the same period. Even with the above-peer growth in retail core deposit funding, the Company had a decrease in its overall interest expense to average assets, which decreased on a year-over-year basis from 0.43% to 0.40%. This decrease in the overall cost of funding is directly attributed to the repricing of \$15.0 million of the Company's fixed rate advances from the Federal Home Loan Bank (FHLB). The Company forecasts additional reductions in the cost of its present wholesale funding, which consists of an additional \$5.0 million fixed rate advance with the FHLB, in the fourth quarter. By year-end, this FHLB advance (which presently costs the Company 3.08%) will be paid off with the current liquidity the company has on its balance sheet. By paying off this fixed rate advance with lower cost retail-based funding, the Company should realize additional savings or containment in its overall interest expense levels.



## **United Bancorp, Inc.**

### **Management's Discussion and Analysis of Financial**

#### **Condition and Results of Operations**

Noninterest income of the Company was down by \$232,000 year-over-year. The majority of this decrease in noninterest income is related to a \$162,000 non-recurring gain that the Company realized on the sale of Bankers Bancshares, Inc. stock during 2016. On the noninterest expense-side of the net noninterest margin (and, as budgeted), the Company saw an increase in its overall noninterest expense levels after several years of decline. The Company saw its noninterest expense increase by \$429,000 or 4.4%. Most of the increase in our noninterest expense was related to personnel-related expenses on the production-side and expenses related to our expansion into the Wheeling, West Virginia market with our new Loan Production Office, which should lead to our Company realizing higher levels of revenue as we have begun to see in the most recently completed quarter. Considering that most of this expense is “fixed,” we firmly believe that we should be able to drive higher levels of revenue without significantly adding to our overall noninterest expense levels in the short-term; therefore, enhancing our Company’s earnings and returns.

We are pleased to report that we are executing upon our growth strategy, Mission 2020, which calls for our Company to grow its assets (in a profitable fashion) to a level of \$1.0 billion or greater by the end of 2020. Even though we realize that we have an extremely long way to go in order to achieve our ambitious growth goal, it is gratifying to see the organic growth that we achieved year-over-year. Although we will need to have a compounded annual growth rate of approximately twenty-three percent from the beginning of this year to achieve the level of growth envisioned under Mission 2020, we firmly believe that it is achievable with the present vision that we have (which includes both organic and acquisition-related growth). From an organic perspective this past year, our Company grew its assets \$29.0 million, or 6.8%, to an overall level of \$455.0 million as of September 30, 2017. As previously mentioned, most of this growth in assets occurred in our Company’s higher-yielding loan portfolio, which enhanced the overall interest income that we realized. As previously mentioned, the overall net interest income realized by our Company increased year-over-year. Our Company was able to achieve this increase in net interest income by growing both its loans outstanding and core deposit funding. As expected, we saw marginal growth in the net income that our Company produced in the first two quarters of this year and we are extremely pleased to see that our earnings growth level is back to double digits on a percentage basis in the third quarter. After several years of containment, our Company saw its overall noninterest expense levels increase this past year as we continue to build for the future and support our overall mission for growth. Most of the increase in our noninterest expense levels occurred in the following areas: hiring additional loan origination personnel to drive the revenue of our Company; completing the renovation of our Main Office to support an enhanced loan origination platform; reorganizing and enhancing our Information Technology function to better manage risk and serve our valued customers; opening a new Loan Production Office in the Wheeling, West Virginia market to increase overall loan production and to introduce our Company to a new, highly desirable market; marketing expense relating to the prime retail deposit pricing that we have been successfully promoting; and, lastly, legal and other expenses related to the renaming of our Company’s single bank charter. Regarding the renaming of our single bank charter and as previously announced in the third quarter, The Citizens Savings Bank and its two divisions— The Citizens Bank and The Community Bank— were renamed to Unified Bank, which became effective on October 10, 2017. Renaming our bank-level charter, Unified Bank, will allow us to establish a more effective brand and better support our envisioned growth objective. We firmly believe with our

positioning over the course of the past year, our Company has high operating leverage which should allow us to enhance our revenue, while controlling our noninterest expense levels— thus, leading to higher earnings and returns over the course of the next twelve to eighteen months. We continue to have very solid credit quality metrics, which should have a positive impact on our earnings for the foreseeable future. In addition, we continue to have very robust capital levels, as evidenced by our overall equity to asset ratio of 9.71%, which will support our vision for growth in the intermediate term. Our Company continues to pay a very solid cash dividend, which totals \$0.50 on a trailing twelve month (TTM) basis (including the \$0.05 special dividend paid this past December), which produces at TTM Yield of 4.2% as of quarter-end. At this level, our Company’s cash dividend yield is significantly higher than that of the average bank in our country. With our recent focus of increasing the operating leverage and revenue of our Company, we firmly believe that we will continue to generate higher levels of net income and reward our shareholders by paying higher dividends and having further appreciation in our market value. Our number one focus continues to be growing our shareholders’ investment in our Company through profitable operations and strategic growth. In addition to driving the market value appreciation of our shareholders’ ownership, we will continue striving to reward our owners by paying a solid cash dividend. Overall, we are pleased with the performance of our Company and the direction that we are going. We are extremely optimistic about our future potential and look forward to realizing this upside potential in future periods!

## **United Bancorp, Inc.**

### **Management's Discussion and Analysis of Financial**

#### **Condition and Results of Operations**

#### **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.

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.

#### **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**

**Condition and Results of Operations**

**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, 2017, gross loans were \$360.4 million, compared to \$356.6 million at December 31, 2016, an increase of \$3.8 million after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of a \$4.8 million increase in commercial and commercial real estate loans a \$347,000 increase in residential loans and a \$1.5 million decrease in installment loans since December 31, 2016.

Commercial and commercial real estate loans comprised 75.2% of total loans at September 30, 2017, compared to 74.6% at December 31, 2016. Commercial and commercial real estate loans have increased \$4.8 million, or 2.0% since December 31, 2016. This segment of the loan portfolio includes originated loans in our 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 mainly within the state of Ohio and West Virginia. During the third quarter of 2016, the Company opened up a Loan Production office in Wheeling, West Virginia. It is anticipated this market will provide the Company with continued strong loan growth opportunities.

Residential real estate loans were 21.2% of total loans at September 30, 2017 and 21.4% at December 31, 2016, representing an increase of \$347,000 since December 31, 2016. As of September 30, 2017, the Bank has approximately \$5.4 million in fixed-rate loans that have been sold in the secondary market but still serviced by the Company as compared to \$6.3 million at December 31, 2016. The level of fixed rate mortgages serviced by the Company will continue to decline as the Company will not retain servicing rights on new sales going forward for these types of products. The Company will continue to service these loans for a fee that is typically 25 basis points. At September 30, 2017, the Company did not hold any loans for sale.

Installment loans represented 3.6% of total loans at September 30, 2017 and 4.0% at December 31, 2016. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields.

Installment loans have decreased \$1.5 million, or 10.4%, since December 31, 2016. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's banking locations. The strategic direction of the Company is not to grow installment based loans at this time.

The allowance for loan losses totaled \$2.2 million at September 30, 2017, which represented 0.61% of total loans, and \$2.3 million at December 31, 2016, or 0.66% 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, 2017 were approximately \$221,000, compared to \$290,000 during the same period in 2016.

**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

*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. Securities available for sale at September 30, 2017 decreased approximately \$637,000 from December 31, 2016 totals. The Company has invested in shorter duration securities to reinvest liquid funds.

*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, 2017, total core deposits increased approximately \$38.2 million, or 11.3%. The Company's savings accounts decreased \$55,000 or less than 1.0% from December 31, 2016 totals. The Company's interest-bearing and non-interest bearing demand deposits increased \$29.9 million or 14.7% while certificates of deposit under \$100,000 increased by \$8.4 million, or 16.2%. The Company considers core deposit to be stable; therefore, the amount of funds anticipated to flow out in the next three to six months is not considered material to the overall liquidity position of the Company.

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, 2017, certificates of deposit greater than \$100,000 increased \$3.8 million from December 31, 2016 totals.

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

Other interest-bearing liabilities include securities sold under agreements to repurchase 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 \$6.8 million from December 31, 2016 totals. At September 30, 2017, FHLB advances totaled \$5.3 million compared to \$39.9 million at December 31, 2016. During 2017, the Company paid off FHLB overnight borrowings of \$19.5 million and \$15.0 million of fixed rate advances that matured with the excess deposits growth during the same period. The Company’s last fixed rate advance of \$5.0 million matures in the fourth quarter and it is anticipated the Company will use its excess liquidity at the Federal Reserve Bank to pay off this advance.

Results of Operations for the Nine Months Ended September 30, 2017 and 2016

***Net Income***

For the nine months ended September 30, 2017 the Company reported net earnings of \$2,766,000, compared to \$2,679,000 for the nine months ended September 30, 2016. On a per share basis, the Company’s diluted earnings were \$0.55 for the nine months ended September 30, 2017, as compared to \$0.53 for the nine months ended September 30, 2016.



**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

*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 6.2%, or \$688,000 for the nine months ended September 30, 2017 compared to the same period in 2016. The earnings improvement of our Company for the nine months ended September 30, 2017 is reflective of the growth in loan related earning assets

*Provision for Loan Losses*

Non-accrual loans were decreased \$102,000 to a level of \$1.3 million as of September 30, 2017. With the decrease in the level of non accrual loans and loans past due 30 plus days, the level of risk in loss exposure has decreased since December 31, 2016. Net loans charged off were \$221,000 or 0.06% of average loans. The Company decreased the provision for loan losses which was \$307,000 for the nine months ended September 30, 2016 compared to \$75,000 for the nine months ended September 30, 2017, a decrease of \$232,000.

*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.

The Company's service charges on deposit accounts decreased by \$106,000 for the nine months ended September 30, 2017 as compared to the same period in 2016.

***Noninterest Expense***

Noninterest expense increased on a year-over-year basis by \$429,000 or 4.4%. Salaries and employee benefit expense increased \$206,000, or 4.0%, for the nine month period ended September 30, 2017, compared to the same period in 2016. Part of this increase in salaries and employee benefit expense is attributed to the increase in lending personnel that have driven the solid growth in loan production. Net occupancy and equipment expense increased \$174,000 or 12.5%, for the nine month period ended September 30, 2017, compared to the same period in 2016. As previously discussed, the Company opened up a Loan Production Office in Wheeling West Virginia during 2016.

***Federal Income Taxes***

The provision for federal income taxes was \$1,320,000 for the nine months ended September 30, 2017, an increase of \$172,000 compared to the same period in 2016. The effective tax rate was 32.3% and 30.0% for the nine months ended September 30, 2017 and 2016, respectively.

**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

Results of Operations for the Three Months Ended September 30, 2017 and 2016

***Net Income***

For the three months ended September 30, 2017 the Company reported net earnings of \$1,000,000, compared to \$928,000 for the three months ended September 30, 2016. On a per share basis, the Company's diluted earnings were \$0.20 for the three months ended September 30, 2017, as compared to \$0.18 for the three months ended September 30, 2016.

***Net Interest Income***

Net interest income increased 10.8%, or \$403,000 for the three months ended September 30, 2017 compared to the same period in 2016. The earnings improvement of our Company for the three months ended September 30, 2017 is reflective of the growth in loan related earning assets.

***Provision for Loan Losses***

The provision for loan losses was \$25,000 for the three months ended September 30, 2017, compared to \$131,000 for the same period in 2016.

***Noninterest Income***

The Company's service charges on deposit accounts decreased by \$34,000 for the three months ended September 30, 2017 as compared to the same period in 2016.

***Noninterest Expense***

Noninterest expense increased on a quarter-over-quarter basis by \$111,000 or 3.3%.

***Federal Income Taxes***

The provision for federal income taxes was \$548,000 for the three months ended September 30, 2017, an increase of \$162,000 compared to the same period in 2016. The effective tax rate was 35.4% and 29.4% for the three months ended September 30, 2017 and 2016, respectively.

**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

*Capital Resources*

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled \$44.1 million at September 30, 2017 compared to \$42.6 million at December 31, 2016, a \$1.5 million increase. Total average stockholders' equity in relation to total average assets was 9.71% at September 30, 2017 and 9.74% at December 31, 2016. 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.

On January 1, 2015, the final rules of the Federal Reserve Board went into effect implementing in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Under the final rule, minimum requirements increased for both the quality and quantity of capital held by banking organizations. The rule requires a new minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent and a common equity tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets that will apply to all supervised financial institutions. The rule also raises the minimum ratio of tier 1 capital to risk-weighted assets from 4 percent to 6 percent and includes a minimum leverage ratio of 4 percent for all banking organizations.

As of September 30, 2017, the Company continues to be well-capitalized in accordance with Federal regulatory capital requirements as the capital ratios below show:

Common equity tier 1 capital ratio	11.96%
Tier 1 capital ratio	13.07%
Total capital ratio	13.67%
Leverage ratio	10.65%

**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

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*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.

*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.

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, 2016.



**United Bancorp, Inc.**

**Management's Discussion and Analysis of Financial**

**Condition and Results of Operations**

**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, 2016, 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, 2017 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, 2016.

**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) Total Number of Shares (or Units) Purchased as Part Of Publicly Announced Plans Or Programs	(d) Maximum Number or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 7/1/2017 to 7/31/2017	—	—	—	—
Month #2 8/1/2017 to 8/31/2017	—	—	—	—
Month #3 9/1/2017 to 9/30/2017	—	—	—	—

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 or other eligible participants may defer fees and 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. On May 11, 2017, the Plan purchased a total of 3,626 common shares for participant accounts. 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.

**ITEM 3.**

**Defaults Upon Senior Securities**

Not applicable.

**United Bancorp, Inc.**

**Part II – Other Information**

**ITEM 4.**

**Mine Safety Disclosures**

Not applicable.

**ITEM 5.**

**Exhibits**

EX-3.1 Amended Articles of Incorporation of United Bancorp, Inc. <sup>(1)</sup>

EX-3.2 Amended Code of Regulations of United Bancorp, Inc. <sup>(2)</sup>

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

EX 101.INS XBRL Instance Document

EX 101.SCH XBRL Taxonomy Extension Schema Document

EX 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

EX 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

EX 101.LAB XBRL Taxonomy Extension Label Linkbase Document

EX 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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

<sup>(2)</sup> Incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 22, 2014.

**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.

United Bancorp, Inc.

Date: November 14, 2017 By: /s/Scott A. Everson  
Scott A. Everson  
President and Chief Executive Officer

Date: November 14, 2017 By: /s/Randall M. Greenwood  
Randall M. Greenwood  
Senior Vice President, Chief Financial Officer and Treasurer

**Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>
<u>31.1</u>	<u>Rule 13a-14(a) Certification – Principal Executive Officer</u>
<u>31.2</u>	<u>Rule 13a-14(a) Certification – Principal Financial Officer</u>
<u>32.1</u>	<u>Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley act of 2002.</u>
<u>32.2</u>	<u>Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u>