UNITED BANCORP INC /OH/
Form 10-Q
November 14, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from ____________ to _______________

Commission File Number: 0-16540

UNITED BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

201 South Fourth Street, Martins Ferry, Ohio 43935-0010
(Address of principal executive offices)

(740) 633-0445
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes x 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer”, “large accelerated filer,” and “small reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of the issuer’s classes of common stock as of the latest practicable date: As of November 11, 2013, 5,362,807 shares of the Company’s common stock, $1.00 par value, were issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1 Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Income	4
Condensed Consolidated Statements of Comprehensive Income	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	8
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3 Quantitative and Qualitative Disclosures About Market Risk	41
Item 4 Controls and Procedures	42

PART II - OTHER INFORMATION

Item 1 Legal Proceedings	43
Item 1A Risk Factors	43
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	43
Item 3 Defaults Upon Senior Securities	43
Item 4 Other Information	44
Item 5 Exhibits	44

SIGNATURES **45**

ITEM 1. Financial Statements

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

	September 30, 2013 (Unaudited)		December 31, 2012	
Assets				
Cash and due from banks	$	5,112	$	4,889
Interest-bearing demand deposits		36,106		70,219
Cash and cash equivalents		41,218		75,108
Available-for-sale securities		27,844		34,853
Held-to-maturity securities		2,294		2,768
Loans, net of allowance for loan losses of $2,965 and $2,708 at September 30, 2013 and December 31, 2012, respectively		295,144		293,774
Premises and equipment		10,954		10,385
Federal Home Loan Bank stock		4,810		4,810
Foreclosed assets held for sale, net		2,266		1,810
Intangible assets		215		305
Accrued interest receivable		997		1,076
Deferred income taxes		1,304		887
Bank-owned life insurance		12,226		11,034
Other assets		809		1,544
Total assets	$	400,081	$	438,354
Liabilities and Stockholders' Equity				
Liabilities				
Deposits				
Demand	$	166,516	$	183,355
Savings		68,334		67,236
Time		82,634		99,825
Total deposits		317,484		350,416
Short-term borrowings		10,529		10,681
Federal Home Loan Bank advances		27,146		32,439
Subordinated debentures		4,000		4,000
Interest payable and other liabilities		3,808		4,192
Total liabilities		362,967		401,728
Stockholders' Equity				
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued				
Common stock, $1 par value; authorized 10,000,000 shares; issued 2013 5,375,304 shares, 2012 5,375,304 shares		5,375		5,375
Additional paid-in capital		17,656		17,425
Retained earnings		19,430		18,544

Stock held by deferred compensation plan; 2013 205,651 shares, 2012 195,965 shares		(1,860)		(1,778)
Unearned ESOP compensation		(1,700)		(1,823)
Accumulated other comprehensive loss		(1,687)		(1,087)
Treasury stock, at cost 2013 12,497 shares, 2012 2,496 shares		(100)		(30)
Total stockholders' equity		37,114		36,626
Total liabilities and stockholders' equity	$	400,081	$	438,354

See Notes to Condensed Consolidated Financial Statements

3

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

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Interest and dividend income				
Loans, including fees	$ 3,997	$ 4,158	$ 11,966	$ 12,537
Taxable securities	78	151	226	605
Non-taxable securities	75	146	309	501
Federal funds sold	33	23	109	51
Dividends on Federal Home Loan Bank stock and other	50	70	163	175
Total interest and dividend income	4,233	4,548	12,773	13,869
Interest expense				
Deposits				
Demand	25	28	79	89
Savings	8	18	23	53
Time	345	512	1,139	1,660
Borrowings	372	394	1,134	1,176
Total interest expense	750	952	2,375	2,978
Net interest income	3,483	3,596	10,398	10,891
Provision for loan losses	354	268	1,013	769
Net interest income after provision for loan losses	3,129	3,328	9,385	10,122
Noninterest income				
Service charges on deposit accounts	627	500	1,706	1,516
Realized gains on sales of loans	5	5	55	14
Realized losses on sales of other real estate and repossessed assets			(15)	(6)
BOLI benefit in excess of surrender value	935		935	
Other income	224	218	647	616
Total noninterest income	1,791	723	3,328	2,140
Noninterest expense				
Salaries and employee benefits	1,971	1,713	5,386	5,035
Occupancy and equipment	468	477	1,393	1,372
Professional services	91	197	499	545

Insurance	74	69	211	193
FDIC insurance	75	73	231	215
Franchise and other taxes	126	123	381	377
Advertising	96	160	321	316
Stationery and office supplies	46	61	136	173
Amortization of intangibles	29	29	89	89
Provision for losses on foreclosed real estate	220	26	230	78
Other expenses	638	554	1,698	1,503
Total noninterest expense	3,834	3,482	10,575	9,896
Income before federal income taxes	1,086	569	2,138	2,366
Federal income taxes	7	118	125	423
Net income	$ 1,079	$ 451	$ 2,013	$ 1,943
EARNINGS PER COMMON SHARE				
Basic	$ 0.22	$ 0.09	$ 0.41	$ 0.39
Diluted	$ 0.22	$ 0.09	$ 0.41	$ 0.39
DIVIDENDS PER COMMON SHARE	$ 0.07	$ 0.07	$ 0.21	$ 0.35

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net income	$ 1,079	$ 451	$ 2,013	$ 1,943
Other comprehensive income (loss), net of tax:				
Unrealized holding (losses) gains on securities during the period, net of taxes of $(55), $(21) $(310) and $(49) for each respective period	(106)	(40)	(601)	(95)
Comprehensive income	$ 973	$ 411	$ 1,412	$ 1,848
Accumulated comprehensive loss	$ (1,687)	$ (1,015)	$ (1,687)	$ (1,015)

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30, 2013	2012
Operating Activities		
Net income	$ 2,013	$ 1,943
Items not requiring (providing) cash		
Depreciation and amortization	727	705
Amortization of intangible asset	89	89
Expense related to share based compensation plans	151	159
Provision for loan losses	1,013	769
Provision for losses on foreclosed real estate	230	78
Increase in value of bank-owned life insurance	(1,193)	(282)
Amortization of discounts on securities, net	(23)	(50)
Originations of loans held for sale	(2,038)	(771)
Proceeds from sale of loans held for sale	2,093	785
Realized gains on sales of loans	(55)	(14)
Amortization of ESOP	123	157
Realized losses on sales of other real estate and repossessed assets	15	6
Amortization of mortgage servicing rights	21	43
Net change in accrued interest receivable and other assets	511	219
Net change in accrued expenses and other liabilities	(258)	(431)
Net cash provided by operating activities	3,419	3,405
Investing Activities		
Securities available for sale:		
Maturities, prepayments and calls	24,104	92,246
Purchases	(18,000)	(48,957)
Securities held to maturity:		
Maturities, prepayments and calls	490	955
Net change in loans	(3,158)	(3,239)
Purchases of premises and equipment	(1,296)	(1,355)
Proceeds from sale of other real estate and repossessed assets	128	467
Net cash provided by investing activities	2,268	40,117

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(In thousands)
(Unaudited)

	Nine months ended September 30, 2013		2012	
Financing Activities				
Net change in deposits	$	(32,932)	$	41,444
Net change in short-term borrowings		(152)		3,738
Net change in long-term borrowings		(5,293)		(325)
Shares purchased for deferred compensation plan				53
Treasury stock purchases		(70)		
Cash dividends paid on common stock		(1,130)		(1,877)
Net cash provided by (used in) financing activities		(39,577)		43,033
(Decrease)/Increase in Cash and Cash Equivalents		(33,890)		86,555
Cash and Cash Equivalents, Beginning of Period		75,108		15,681
Cash and Cash Equivalents, End of Period	$	41,218	$	102,236
Supplemental Cash Flows Information				
Interest paid on deposits and borrowings	$	2,421	$	3,015
Federal income taxes paid	$	583	$	485
Supplemental Disclosure of Non-Cash Investing and Financing Activities				
Transfers from loans to foreclosed assets held for sale	$	830	$	462

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, 2013 and 2012

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, 2013, 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, 2012 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 September 30, 2013, 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, 2012 has been derived from the audited consolidated balance sheet of the Company as of that date.

Principles of Consolidation

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

Nature of Operations

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

The Company's primary deposit products are checking, savings and term certificate accounts and its primary lending products are residential mortgage, commercial and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and

interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary and fiscal policies, that are outside of management's control.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

Use of Estimates

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or 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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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.

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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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.

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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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.

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,	
	2013	2012	2013	2012
	(In thousands, except share and per share data)			
Basic				
Net income	$ 1,079	$ 451	$ 2,013	$ 1,943
Dividends on non-vested restricted stock	(12)	(12)	(37)	(62)
Net income allocated to stockholders	$ 1,067	$ 439	$ 1,976	$ 1,881
Weighted average common shares outstanding	4,804,957	4,784,815	4,805,811	4,778,577
Basic earnings per common share	$ 0.22	$ 0.09	$ 0.41	$ 0.39
Diluted				
Net income allocated to stockholders	$ 1,067	$ 439	$ 1,976	$ 1,881
Weighted average common shares outstanding for basic earnings per common share	4,804,957	4,784,815	4,805,811	4,778,577
Add: Dilutive effects of assumed exercise of stock options and restricted stock	59,664	69,826	59,664	70,602
Average shares and dilutive potential common shares	4,864,621	4,854,641	4,865,475	4,849,179

Diluted earnings per common share	$ 0.22	$ 0.09	$ 0.41	$ 0.39

12

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

Options to purchase 53,714shares of common stock at a weighted-average exercise price of $10.34 per share were outstanding at both September 30, 2013 and 2012, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

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 2010.

Recent Accounting Pronouncements

FASB ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* The ASU amends the guidance in the FASB Accounting Standards Codification (FASB ASC) Topic 220, entitled Comprehensive Income. The goal behind development of the ASU 2013-02 amendments is to improve the transparency of reporting reclassification out of accumulated other comprehensive income. For public companies, the ASU 2013-02 amendments are effective in reporting periods beginning after December 15, 2012. Earlier implementation of the guidance is allowed. The Company adopted FASB ASU 2013-02 as required, without a material effect on the Company's financial condition or results of operations.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
Available-for-sale Securities:				
September 30, 2013				
U.S. government agencies	$ 21,000	$	$ (626)	$ 20,374
State and political subdivisions	7,226	217		7,443
Equity securities	4	23		27
	$ 28,230	$ 240	$ (626)	$ 27,844
Available-for-sale Securities:				
December 31, 2012:				
U.S. government agencies	$ 23,980	$ 93	$ (3)	$ 24,070
State and political subdivisions	10,345	414		10,759
Equity securities	4	20		24
	$ 34,329	$ 527	$ (3)	$ 34,853

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
Held-to-maturity Securities:				
September 30, 2013:				
State and political subdivisions	$ 2,294	$ 26	$	$ 2,320
December 31, 2012:				
State and political subdivisions	$ 2,768	$ 72	$	$ 2,840

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at September 30, 2013, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost (In thousands)	Fair Value	Amortized Cost	Fair Value
Within one year	$ 739	$ 741	$ 1,340	$ 1,347
One to five years	4,693	4,780	954	973
Five to ten years	16,794	16,466		
After ten years	6,000	5,830		
Equity securities	4	27		
Totals	$ 28,230	$ 27,844	$ 2,294	$ 2,320

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $30.1 million and $25.5 million at September 30, 2013 and December 31, 2012, respectively.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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, 2013 and December 31, 2012, was $20.4 million and $3.0 million, which represented approximately 67.60% and 8.00%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary and are a result on an increase in longer term interest rates during third quarter of 2013.

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, 2013 and December 31, 2012:

September 30, 2013

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	$	$	$ 20,373	$ (626)	$ 20,373	$ (626)

December 31, 2012

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	$ 2,997	$ (3)	$	$	$ 2,997	$ (3)

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 more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at September 30, 2013 and December 31, 2012.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	September 30, 2013 (In thousands)	December 31, 2012
Commercial loans	$ 53,993	$ 47,130
Commercial real estate	136,225	144,144
Residential real estate	80,282	73,623
Installment loans	27,609	31,585
Total gross loans	298,109	296,482
Less allowance for loan losses	(2,965)	(2,708)
Total loans	$ 295,144	$ 293,774

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.

16

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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.

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three and nine month periods ended September 30, 2013

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
(In thousands)						
Allowance for loan losses:						
Balance, July 1, 2013	$ 1,191	$ 1,213	$ 181	$ 120	$ 563	$ 3,268
Provision charged to expense	(272)	560	93	48	(75)	354
Losses charged off	(520)	(10)	(110)	(44)		(684)
Recoveries		4	21	2		27
Balance, September 30, 2013	$ 399	$ 1,767	$ 185	$ 126	$ 488	$ 2,965
Balance, January 1, 2013	$ 598	$ 1,347	$ 200	$ 116	$ 447	$ 2,708
Provision charged to expense	319	456	131	66	41	1,013
Losses charged off	(520)	(47)	(271)	(59)		(897)
Recoveries	2	11	125	3		141
Balance, September 30, 2013	$ 399	$ 1,767	$ 185	$ 126	$ 488	$ 2,965
Ending balance: individually evaluated for impairment	$ 244	$ 1,376	$	$	$	$ 1,620

Ending balance: collectively evaluated for impairment	$ 155	$ 391	$ 185	$ 126	$ 488	$ 1,345
Loans:						
Ending balance: individually evaluated for impairment	$ 609	$ 6,103	$	$	$	$ 6,712
Ending balance: collectively evaluated for impairment	$ 53,384	$ 130,122	$ 27,609	$ 80,282	$	$ 291,397

17

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

Allowance for Loan Losses for the three and nine month periods ended September 30, 2012

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
	(In thousands)					
Balance, July 1, 2012	$ 418	$ 1,622	$ 226	$ 99	$ 284	$ 2,649
Provision charged to expense	46	168	43	67	(56)	268
Losses charged off	(67)	(49)	(86)	(55)		(257)
Recoveries	83	7	22	1		113
Balance, September 30, 2012	$ 480	$ 1,748	$ 205	$ 112	$ 228	$ 2,773
Balance, January 1, 2012	$ 183	$ 2,321	$ 235	$ 95	$ 87	$ 2,921
Provision charged to expense	275	222	33	98	141	769
Losses charged off	(67)	(804)	(206)	(84)		(1,161)
Recoveries	89	9	143	3		244
Balance, September 30, 2012	$ 480	$ 1,748	$ 205	$ 112	$ 228	$ 2,773

Allowance for Loan Losses and Recorded Investment in Loans
As of December 31, 2012

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ 458	$ 916	$	$	$	$ 1,374
Ending balance: collectively evaluated for impairment	$ 140	$ 431	$ 200	$ 116	$ 447	$ 1,334
Loans:						
	$ 1,015	$ 5,943	$	$	$	$ 6,958

Ending balance: individually evaluated for impairment						
Ending balance: collectively evaluated for impairment	$ 46,115	$ 138,201	$ 31,585	$ 73,623	$	$ 289,524

18

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

The following tables show the portfolio quality indicators.

	September 30, 2013				
Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	$ 50,642	$ 125,959	$ 80,282	$ 27,609	$ 284,492
Special Mention	2,724	3,906			6,630
Substandard	627	6,360			6,987
Doubtful					
	$ 53,993	$ 136,225	$ 80,282	$ 27,609	$ 298,109

	December 31, 2012				
Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	$ 43,364	$ 133,402	$ 73,623	$ 31,585	$ 281,974
Special Mention	2,698	3,005			5,703
Substandard	1,068	7,737			8,805
Doubtful					
	$ 47,130	$ 144,144	$ 73,623	$ 31,585	$ 296,482

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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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, 2013

	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	$ 427	$ 3	$ 84	$ 320	$ 834	$ 53,159	$ 53,993
Commercial real estate	217		105	760	1,082	135,143	136,225
Installment	92	55		85	232	25,662	27,609
Residential	281	17		1,649	1,947	80,050	80,282
Total	$ 1,017	$ 75	$ 189	$ 2,814	$ 4,095	$ 294,014	$ 298,109

Loan Portfolio Aging Analysis
As of December 31, 2012

	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	$ 144	$	$ 84	$ 541	$ 769	$ 46,361	$ 47,130
Commercial real estate	87			1,114	1,201	142,943	144,144
Installment	189	11		41	241	73,382	73,623
Residential	1,088	91		1,564	2,743	28,842	31,585
Total	$ 1,508	$ 102	$ 84	$ 3,260	$ 4,954	$ 291,528	$ 296,482

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, 2013 and 2012

Impaired Loans

	As of September 30, 2013			For the three months ended September 30, 2013		For the nine months ended September 30, 2013	
	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	$ 84	$ 84	$	$ 84	$	$ 84	$ 1
Commercial real estate	1,074	1,086		1,076	21	1,155	49
Residential							
Installment							
	1,158	1,170		1,160	21	1,239	50
Loans with a specific valuation allowance:							
Commercial	525	525	244	498	17	510	23
Commercial real estate	5,029	5,029	1,376	5,173	43	5,237	169
Residential							
Installment							
	5,554	5,554	1,620	5,671	60	5,747	192
Total:							
Commercial	$ 609	$ 609	$ 244	$ 582	$ 17	$ 594	$ 24
Commercial real estate	$ 6,103	$ 6,115	$ 1,376	$ 6,249	$ 64	$ 6,392	$ 218
Residential	$	$	$	$	$	$	$
Installment	$	$	$	$	$	$	$

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

	As of December 31, 2012			For the three months ended September 30, 2012		For the nine months ended September 30, 2012	
	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	$ 361	$ 361	$	$ 393	$ 5	$ 445	$ 23
Commercial real estate	1,546	1,546		2,160	78	2,404	164
Residential				19		19	
Installment							
	1,907	1,907		2,572	83	2,868	187
Loans with a specific valuation allowance:							
Commercial	654	654	458	664		545	11
Commercial real estate	4,397	4,397	916	4,362	8	4,651	107
Residential				40		40	
Installment							
	5,051	5,051	1,374	5,066	8	5,236	118
Total:							
Commercial	$ 1,015	$ 1,015	$ 458	$ 1,057	$ 5	$ 990	$ 34
Commercial real estate	$ 5,943	$ 5,943	$ 916	$ 6,522	$ 86	$ 7,055	$ 271
Residential	$	$	$	$ 59	$	$ 59	$
Installment	$	$	$	$	$	$	$

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

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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, 2013		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In thousands)		
Commercial		$	$
Commercial real estate	2	2,887	2,887
Residential			
Installment			

	Three Months ended September 30, 2013			
	Interest Only	Term	Combination	Total Modification
	(In thousands)			
Commercial	$	$	$	$
Commercial real estate		2,887		2,887
Residential				
Consumer				

	Nine Months ended September 30, 2013		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In thousands)		
Commercial		$	$
Commercial real estate	3	3,320	3,320
Residential			
Installment			

	Nine Months Ended September 30, 2013			
	Interest Only	Term	Combination	Total Modification
	(In thousands)			
Commercial	$	$	$	$

Commercial real estate	3,320	3,320
Residential		
Consumer		

23

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

	Three Months ended September 30, 2012		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In thousands)		
Commercial	3	$ 152	$ 66
Commercial real estate			
Residential			
Installment			

	Three Months Ended September 30, 2012			
	Interest Only	Term	Combination	Total Modification
	(In thousands)			
Commercial	$	$	$ 66	$ 66
Commercial real estate				
Residential				
Consumer				

	Nine Months ended September 30, 2012		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In thousands)		
Commercial	3	$ 152	$ 66
Commercial real estate	2	74	16
Residential			
Installment			

	Nine Months Ended September 30, 2012			
	Interest Only	Term	Combination	Total Modification
	(In thousands)			
Commercial	$	$	$ 66	$ 66
Commercial real estate		16		16
Residential				
Consumer				

24

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

During the nine months ended September 30, 2013, troubled debt restructurings described above increased the allowance for loan losses by $69,000. During the nine months ended September 30, 2012, troubled debt restructurings described above increased the allowance for loan losses by $24,000.

At September 30, 2013 and 2012 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, 2013 (In thousands)	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Service cost	$ 90	$ 89	$ 270	$ 267
Interest cost	41	45	123	135
Expected return on assets	(64)	(57)	(192)	(171)
Amortization of prior service cost and net loss	43	43	129	129
Pension expense	$ 110	$ 120	$ 330	$ 360

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.

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, 2013 (In thousands)	December 31, 2012
Commercial loans unused lines of credit	$ 12,429	$ 12,987
Commitment to originate loans	7,512	7,816
Consumer open end lines of credit	35,048	32,419
Standby letters of credit	150	150

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

Note 6: Accumulated Other Comprehensive Loss

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

	September 30, 2013 (In thousands)		December 31, 2012	
Net unrealized gain on securities available-for-sale	$	(386)	$	524
Net unrealized loss for unfunded status of defined benefit plan liability		(2,169)		(2,169)
		(2,555)		(1,645)
Tax effect		868		558
Net-of-tax amount	$	(1,687)	$	(1,087)

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, 2013 and 2012

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, 2013 and December 31, 2012:

		Fair Value Measurements Using		
	Fair Value	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, 2013				
U.S. government agencies	$ 20,374	$	$ 20,374	$
State and political subdivisions	7,443		7,443	
Equity securities	27	27		
December 31, 2012				
U.S. government agencies	$ 24,070	$	$ 24,070	$
State and political subdivisions	10,759		10,759	
Equity securities	24	24		

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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, 2013 and 2012

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, 2013 and December 31, 2012.

	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, 2013				
Collateral dependent impaired loans	$ 1,113	$	$	$ 1,113
Foreclosed assets held for sale	736			736
December 31, 2012				
Collateral dependent impaired loans	$ 3,573	$	$	$ 3,573
Foreclosed assets held for sale	736			736

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 at 9/30/13 (In thousands)	Valuation Technique	Unobservable Inputs	Range	
Foreclosed assets held for sale	$ 736	Market comparable properties	Selling costs	10%	15%
Collateral-dependent impaired loans	$ 1,113	Market comparable properties	Marketability discount	10%	35%

	Fair Value at 12/31/12 (In thousands)	Valuation Technique	Unobservable Inputs	Range	
	$ 736		Selling costs	10%	15%

Foreclosed assets held for sale		Market comparable properties			
Collateral-dependent impaired loans	3,573	Market comparable properties	Marketability discount	10%	35%

There were no significant changes in the valuation techniques used during 2013.

29

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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.

		Fair Value Measurements Using		
	Carrying Amount	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, 2013				
Financial assets				
Cash and cash equivalents	$41,218	$ 41,218	$	$
Held-to-maturity securities	2,294		2,320	
Loans, net of allowance	295,114			295,109
Federal Home Loan Bank stock	4,810		4,810	
Accrued interest receivable	997		997	
Financial liabilities				
Deposits	317,484		306,582	
Short term borrowings	10,529		10,529	
Federal Home Loan Bank Advances	27,146		29,295	
Subordinated debentures	4,000		3,712	
Interest payable	147		147	

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

		Fair Value Measurements Using		
	Carrying Amount	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, 2012:				
Financial assets				
Cash and cash equivalents	$ 75,108	$ 75,108	$	$
Held-to-maturity securities	2,768		2,840	
Loans, net of allowance	293,774			295,134
Federal Home Loan Bank stock	4,810		4,810	
Accrued interest receivable	1,076		1,076	
Financial liabilities				
Deposits	350,416		346,761	
Short term borrowings	10,681		10,681	
Federal Home Loan Bank Advances	32,439		35,649	
Subordinated debentures	4,000		3,712	
Interest payable	193		193	

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, 2013 and 2012

Held-to-maturity Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated 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.In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 2 of the hierarchy.The Company has no securities classified as Level 3 of the hierarchy.

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, 2013 and December 31, 2012.

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

The following discusses the financial condition of the Company as of September 30, 2013, as compared to December 31, 2012, and the results of operations for the three and nine months ended September 30, 2013, compared to the same periods in 2012. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

Introduction

The Company's net income of $2,013,000 for the nine months ended September 30, 2013 compared to $1,943,000 for the nine month period ended September 30, 2012, an increase of 3.6%. The Company's diluted earnings per share was $0.41 for the nine months ended September 30, 2013 compared to $0.39 for the same period in 2012. The Company reported net income of $1,079,000 for the three months ended September 30, 2013 compared to $450,000 for the same three month period ended September 30, 2012. From a quarterly perspective, net income has increased for the fourth consecutive quarter and is up by approximately $610,000 on a linked quarter basis. The Company's diluted earnings per share was $0.22 for the three months ended September 30, 2013 compared to $0.09 for both the linked three month period ending June 30, 2013 and the same three month period ended September 30, 2012. Several factors attributed to the increase in earnings during the nine months and three months ended September 30, 2013 as explained in detail below.

The Company's net income realized for the nine months ended September 30, 2013 generated an annualized 0.63% return on average assets ("ROA") and a 7.23% return on average equity ("ROE") compared to a ROA of 0.61% and a ROE of 7.10% for the nine months ended September 30, 2012. The Company's net interest margin year over year was impacted by the previously reported conservative posturing relating to the management of its investment portfolio due to the Government's ongoing zero rate monetary policy. The current Federal Reserve monetary policy, now in its fifth year, continues to make it extremely risky for a financial institution to generate a normalized historic return without taking on an excessive amount of interest rate risk. With the Federal Reserve's present monetary policy leading to higher yielding securities being called, the Company's nine-month average investments declined $43.4 million from September 30, 2012 to the same period in 2013, reducing the net interest margin to 3.59% as of September 30, 2013 compared to 3.90% for the period ended September 30, 2012. This decline in margin is attributed to the continued downward re-pricing of its assets in this sustained low rate environment. As securities were called, the Company's liquidity was invested in short term, lower yielding investment alternatives such as cash and due from the Federal Reserve Bank which increased on a nine month average balance comparison by $22.3 million from September 30, 2012 to September 30, 2013. To help offset the downward pressure on the margin, the Company continued its focus on putting funds to work in higher yielding quality loans. Gross loans were up $11.8 million year over year to a level of $298.1 million as of September 30, 2013. During this same period, the Company's credit quality improved as non-accrual loans were down $746,000 to a level of $2.8 million and net loans charged off were down by $160,000 to a level of $757,000. Looking at current credit quality trends, loans past due thirty plus days declined by $652,000 or 34% from September 30, 2012 to the same period in 2013. Even with this improvement in credit quality, the Company continued to provide an increased provision for loan losses which was $1.1 million as September 30, 2013 compared to $769,000 as of September 30, 2012, up $244,000. The provision for loan losses was increased due to the credit uncertainty of several commercial relationships and for losses associated with the Company's Overdraft Privilege Program. Year over year the provision for losses as it relates to the Company's Overdraft Privilege Program increased $74,000 as a result of a customer marketing strategy that has added approximately 1,800 new demand deposit accounts now eligible for this Overdraft Privilege Program. As previously discussed last quarter, the Company continues to see positive results related to service charge income on these new accounts. This increased loan loss provision net of loans charged off resulted in a total allowance for loan losses to total loans of 0.99% and the total allowance for loan losses to non-accrual loans of 1.05%, both positively increasing from levels of 0.97% and 0.78%

respectively as of September 30, 2012. With this continued trend of overall credit quality improvement, the Company projects a decrease of its provision for loan losses which will have a positive impact on future earnings. During the third quarter, the Company recorded $935,000 of a Bank Owned Life Insurance (BOLI) benefit in excess of the surrender charge.

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

On the liability side of the balance sheet, the Company continued to see a positive return on its strategy of attracting additional customers into lower cost funding accounts while allowing higher cost funding to run off. While year to year low cost funding consisting of demand and savings deposits decreased by over $27.1 million from September 30, 2012 to September 30, 2013, this decrease was the result of several larger accounts that were only expected to be held for a short term basis. On a positive note, higher costing time deposit balances decreased by over $25.4 million during this same period helping to reduce overall interest expense levels and reduce our overall CD dependency ratio to approximately 25%. As previously mentioned, the Company continued to see the positive effect of attracting a higher number of transaction accounts resulting in an increase of $190,000 in service charges on deposit accounts on a year over year basis as of September 30, 2013. It is projected this trend will continue even with the Government mandated regulations relating to the Dodd-Frank Act being more fully implemented. This will have a limiting effect on the level of revenue realized per account but will be offset by the Company's focus on attracting a higher number of transaction accounts that can generate fee based income. Noninterest expense increased on a year over year basis by $679,000 or 6.86%. This increase is attributed to several factors including: higher incentives paid to loan officers relating to the increase in loan originations; ever-increasing health care and benefits costs; additional provision for losses on impairment of foreclosed real estate and the opening of the Company's new Retail Banking and Training Center located on the west-side of the highly appealing St. Clairsville, Ohio market. This new facility which opened toward the end of the second quarter of 2013, the significant liquid position in cash and cash equivalents that can be invested in future periods at higher yields as market conditions improve, the continuing growth in service charge income and the potential of a lower loan loss provision, we are projecting continued improvement in our profitability.

Our mantra in our shareholder communications for the past three quarters has centered on the fact we are managing our balance sheet causing 'short term pain for long term gain'. As stated above, our conservative risk management of keeping our liquidity in lower yielding short term investments has stifled our recent earnings reports, yet continues to be prudent with the anticipation of interest rate increases as the Federal Reserve eases out of its current monetary policy. At present, we continue to aggressively make loans in our banking communities and continue to resist seeking a higher return by stretching maturities on our investment portfolio until we have a clearer definition of the Federal Reserve's direction. By investing in longer maturity securities today, we would expose our shareholders to losses in capital and earnings when interest rates normalize upward. As you can see in our financial statements, this conservative investment strategy has helped us preserve our book value, which improved on a year over year basis from $7.62 to $7.72. Some of our peers have seen an erosion of their book value due to the book losses that have occurred within their investment portfolios over the past twelve months resulting from investment strategies that stretched for yield in a lower interest rate environment as interest rates moderated slightly upward. We continue to be satisfied with our current strategy to cover our overhead, provide for a proper amount of capital and reserves and make our dividend payment which continues to be generous in today's market with a current yield of 4.2%. We project our strategy will be proven right as we have seen within the past quarter this negative effect that rising rates can have on the valuations of investment portfolios, capital bases and book values. Being a strong and profitable Company in this presently changing banking environment and rewarding our owners with solid growth in their shareholder value continues to be our priority and our long term focus.

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.

35

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, 2013, gross loans were $298.1 million, compared to $296.5 million at December 31, 2012, an increase of $1.6 million after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of a $1.1 million decrease in commercial and commercial real estate loans and a $4.0 million decrease in installment lending and a $6.7 million increase in residential loans since December 31, 2012.

Commercial and commercial real estate loans comprised 63.8% of total loans at September 30, 2013, compared to 64.5% at December 31, 2012. Commercial and commercial real estate loans have decreased $1.1 million, or less than 1.0% since December 31, 2012. 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 all within the state of Ohio.

Installment loans represented 9.3% of total loans at September 30, 2013 and 10.7% at December 31, 2012. Some of the installment loans are an indirect lending type of financing that carries somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased $4.0 million, or 12.6%, since December 31, 2012. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's 20 banking locations.

Residential real estate loans were 26.9% of total loans at September 30, 2013 and 24.8% at December 31, 2012, representing an increase of $6.7 million, or 9.0% since December 31, 2012. As of September 30, 2013, the Bank has approximately $11.2 million in fixed-rate loans that have been sold in the secondary market but still serviced by the Company as compared to $13.8 million at December 31, 2012. 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, 2013, the Company did not hold any loans for sale.

The allowance for loan losses totaled $3.0 million at September 30, 2013, which represented 0.99% of total loans, and $2.7 million at December 31, 2012, or 0.91% 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, 2013 were approximately $756,000 or 27.9%, of the beginning balance in the allowance for loan losses. Net loans charged off did decrease for the nine months ended September 30, 2013 as compared to the same period in 2012. Net loans charged off decreased approximately $160,000 for the nine months ended September 30, 2013 as compared to the same period in 2012.

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 and held-to-maturity at September 30, 2013 decreased approximately $7.5 million from December 31, 2012 totals. With the overall low interest rate environment, the Company has experienced a high level of called bond activity during the nine months of 2013. The opportunities to reinvest these funds have been limited due to the historical low interest rates available on replacement investments.

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, 2013, total core deposits decreased approximately $26.0 million, or 8.0%. The Company's savings accounts increased $1.0 million or 1.6% from December 31, 2012 totals. The Company's interest-bearing and non-interest bearing demand deposits decreased $16.8 million while certificates of deposit under $100,000 decreased by $10.2 million, or 14.1%. As a result of the booming activity of the oil and gas industry within our market areas, the Company had experienced a higher than normal influx of funds during 2012. As previously stated, some of these funds were temporary in nature and a large portion of these funds did flow back out of the Company during the first nine months of 2013 as a result of income tax payments and other uses of the funds. 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, 2013, certificates of deposit greater than $100,000 decreased $7.0 million or 25.6%, from December 31, 2012 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 $150,000 from December 31, 2012 totals.

Results of Operations for the Nine Months Ended September 30, 2013 and 2012

Net Income

For the nine months ended September 30, 2013 the Company reported net earnings of $2,013,000, compared to $1,943,000 for the nine months ended September 30, 2012. On a per share basis, the Company's diluted earnings were $0.41 for the nine months ended September 30, 2013, as compared to $0.39 for the nine months ended September 30,

2012. Several factors attributed to the increase in earnings during the nine months and three months ended September 30, 2013 as explained in detail below.

37

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 decreased 4.5%, or $493,000 for the nine months ended September 30, 2013 compared to the same period in 2012. Not wanting to take undue interest rate risk, we are keeping our liquidity in short term low yielding funds as *Cash and due from Bank.* With a 25 basis point return, this has impacted our 2013 earnings. Until we have a clearer vision of our government's direction, we are being careful at this point in time not to take a lot of interest rate risk by stretching maturities for higher yields.

Provision for Loan Losses

The provision for loan losses was $1,013,000 for the nine months ended September 30, 2013, compared to $769,000 for the same period in 2012. While the overall credit quality of the Company has improved, the increase in the provision for loan losses was primarily due to credit uncertainty of several commercial relationships.

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.

A positive effect of attracting a higher number of transaction accounts as a result of a customer marketing strategy was the Company's service charges on deposit accounts increased by $190,000 for the nine months ended September 30, 2013 as compared to the same period in 2012. It is projected this trend will continue even with the continuing Government mandated regulations relating to the Dodd-Frank Act, which have had a limiting effect on the level of revenue realized per account, being more fully implemented. This has been offset by the Company's focus on attracting more transaction account customers and having a higher overall level of transaction accounts that can generate fee based income. During the third quarter of 2013, the Company recorded $935,000 of a BOLI benefit in excess of the surrender charge.

Noninterest Expense

Noninterest expense was $10.6 million for the nine months ended September 30, 2013 an increase of approximately $680,000, compared to the nine months ended September 30, 2012. Salaries and employee benefit expense increased $351,000, or 7.0%, for the nine month period ended September 30, 2013, compared to the same period in 2012. This increase was primarily due to higher incentives paid to loan officers relating to the increase in loan originations, opening of a new training facility ever-increasing health care and benefits costs. Provision for losses on foreclosed real estate increase increased $152,000 for the nine months ended September 30, 2013, compared to the same period in 2012. The Company has several foreclosed properties that were written down to their liquidation value during the nine months ended September 30, 2013.

Federal Income Taxes

The provision for federal income taxes was $125,000 for the nine months ended September 30, 2013, a decrease of $298,000 compared to the same period in 2012. The effective tax rate was 5.8% and 17.9% for the nine months ended June 30, 2013 and 2012, respectively. The decrease in the effective
tax rate period over period is due to tax exempt $935,000 of BOLI benefit in excess of surrender value recoded during the nine months ended September 30, 2013.

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, 2013 and 2012

Net Income

For the three months ended September 30, 2013 the Company reported net earnings of $1,079,000, compared to $451,000 for the three months ended September 30, 2012. On a per share basis, the Company's diluted earnings were $0.22 for the three months ended September 30, 2013, as compared to $0.09 for the three months ended September 30, 2012. Several factors attributed to the increase in earnings during the nine months and three months ended September 30, 2013 as explained in detail below.

Net Interest Income

Net interest income decreased 3.1%, or $113,000 for the three months ended September 30, 2013 compared to the same period in 2012. Not wanting to take undue interest rate risk, we are keeping our liquidity in short term low yielding funds as *Cash and due from Bank*. With a 25 basis point return, this has impacted our year to date 2013 earnings. Until we have a clearer vision of our government's direction, we are being careful at this point in time not to take a lot of interest rate risk by stretching maturities for higher yields.

Provision for Loan Losses

The provision for loan losses was $354,000 for the three months ended September 30, 2013, compared to $268,000 for the same period in 2012. As previously discussed, the increase in the provision for loan losses was primarily due to credit uncertainty of several commercial relationships.

Noninterest Income

As previously mentioned, attracting a higher number of transaction accounts as a result of a customer marketing strategy had a positive impact on noninterest income. The Company's service charges on deposit accounts, a component of non interest income increased by $127,000 for the three months ended September 30, 2013 as compared to the same period in 2012. It is projected this trend will continue even with the continuing Government mandated regulations relating to the Dodd-Frank Act, which have had a limiting effect on the level of revenue realized per account, being more fully implemented. This has been offset by the Company's focus on attracting more transaction account customers and having a higher overall level of transaction accounts that can generate fee based income. During the third quarter of 2013, the Company recorded $935,000 of a BOLI benefit in excess of the surrender charge.

Noninterest Expense

Noninterest expense was $3.8 million for the three months ended September 30, 2013 an increase of $352,000, compared to the three months ended September 30, 2012. Salaries and employee benefit expense increased $258,000, for the three month period ended September 30, 2013, compared to the same period in 2012. This increase was primarily due to higher incentives paid to loan officers relating to the increase in loan originations, opening of a new training facility ever-increasing health care and benefits costs. Advertising decreased $64,000 for the three months ended September 30, 2013, compared to the same period in 2012. This decrease was primarily due to the timing of certain promotional campaigns from period to period. Provision for losses on foreclosed real estate increased $194,000 for the three months ended September 30, 2013, compared to the same period in 2012. The Company has several foreclosed properties that were written down to their liquidation value during the nine months ended

September 30, 2013.

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

Federal Income Taxes

The provision for federal income taxes was $7,000 for the three months ended September 30, 2013, a decrease of $111,000 compared to the same period in 2012. The effective tax rate was approximately 1.0% and 20.7% for the three months ended June 30, 2013 and 2012, respectively. The decrease in the effective tax rate period over period is due to tax exempt $935,000 of BOLI benefit in excess of surrender value recoded during the three months ended September 30, 2013.

Capital Resources

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled $37.1 million at September 30, 2013 compared to $36.6 million at December 31, 2012, a $488,000 increase. Total average stockholders' equity in relation to total average assets was 9.3% at September 30, 2013 and 8.4% at December 31, 2012. In 2001, our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date.

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

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

The minimums related to such capital requirements are:

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

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

The following table illustrates the Company's "well-capitalized" classification at September 30, 2013.

	September 30, 2013 (Dollars in thousands)		
Tier 1 capital	$	42,575	
Total risk-based capital		45,550	
Risk-weighted assets		296,078	
Average total assets		423,146	
Total risk-based capital ratio		15.38	%
Tier 1 risk-based capital ratio		14.38	%
Tier 1 capital to average assets		10.06	%

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.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

41

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, 2013, 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, 2013 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, 2012, filed on March 21, 2013.

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 7/1/2013 to 7/31/2013				
Month #2				