UNITED BANCORP INC /OH/
Form 10-Q
August 12, 2015

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 June 30, 2015

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 August 5, 2015, 5,377,454 shares of the Company's common stock, $1.00 par value, were issued and outstanding.

ITEM 1. Financial Statements

United Bancorp, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	$ 5,346	$ 5,170
Interest-bearing demand deposits	19,945	33,994
Cash and cash equivalents	25,291	39,164
Available-for-sale securities	39,565	19,348
Held-to-maturity securities	235	450
Loans, net of allowance for loan losses of $2,697 and $2,400 at June 30, 2015 and December 31, 2014, respectively	309,225	313,354
Premises and equipment	10,511	10,071
Federal Home Loan Bank stock	4,210	4,210
Foreclosed assets held for sale, net	1,107	1,140
Intangible assets	7	66
Accrued interest receivable	792	829
Deferred income taxes	516	493
Bank-owned life insurance	13,423	10,747
Other assets	1,855	1,940
Total assets	$ 406,737	$ 401,812
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 187,326	$ 183,550
Savings	73,537	71,319
Time	62,579	67,812
Total deposits	323,442	322,681
Short-term borrowings	9,028	5,098
Federal Home Loan Bank advances	26,635	26,719
Subordinated debentures	4,124	4,124
Interest payable and other liabilities	2,454	2,800
Total liabilities	365,683	361,422

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 2015 –5,385,304 shares, 2014 – 5,385,304 shares	5,385	5,385
Additional paid-in capital	18,104	18,044
Retained earnings	21,008	20,478
Stock held by deferred compensation plan; 2015 –229,171 shares, 2014 – 230,446 shares	(2,013)	(2,044)
Unearned ESOP compensation	(1,372)	(1,467)
Accumulated other comprehensive income	5	57
Treasury stock, at cost		
2015 –7,850 shares, 2014 – 7,850 shares	(63)	(63)
Total stockholders' equity	41,054	40,390
Total liabilities and stockholders' equity	$ 406,737	$ 401,812

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 June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Interest and dividend income				
Loans, including fees	$ 3,822	$ 3,924	$ 7,504	$ 7,817
Taxable securities	98	69	162	140
Non-taxable securities	39	65	86	134
Federal funds sold	20	23	37	34
Dividends on Federal Home Loan Bank stock and other	61	53	110	106
Total interest and dividend income	4,040	4,134	7,899	8,231
Interest expense				
Deposits				
Demand	28	27	55	52
Savings	8	8	16	16
Time	226	265	456	539
Borrowings	320	320	636	639
Total interest expense	582	620	1,163	1,246
Net interest income	3,458	3,514	6,736	6,985
Provision for loan losses	145	216	261	432
Net interest income after provision for loan losses	3,313	3,298	6,475	6,553
Noninterest income				
Service charges on deposit accounts	711	702	1,410	1,329
Realized gains on sales of loans	18	12	29	16
Realized gain on sales of available-for-sale securities	11	—	31	—
Realized gains on sales of real estate and other repossessed assets	2	—	2	—
BOLI benefit in excess of surrender value	—	35	—	35
Other income	193	210	405	417
Total noninterest income	935	959	1,877	1,797
Noninterest expense				
Salaries and employee benefits	1,575	1,602	3,170	3,262
Net occupancy and equipment expense	503	500	994	1,018
Provision for impairment on foreclosed real estate	—	—	—	162
Professional services	177	210	368	428
Insurance	59	74	126	148
Deposit insurance premiums	51	72	114	137

Franchise and other taxes	73	70	140	124
Advertising	85	121	169	227
Stationery and office supplies	32	51	77	92
Amortization of intangible asset	29	29	59	59
Net realized loss on sale of other real estate and repossessions	—	—	—	6
Other expenses	528	570	1,029	1,123
Total noninterest expense	3,112	3,299	6,246	6,786
Income before federal income taxes	1,136	958	2,106	1,564
Federal income taxes	331	242	607	364
Net income	$ 805	$ 716	$ 1,499	$ 1,200
EARNINGS PER COMMON SHARE				
Basic	$ 0.16	$ 0.14	$ 0.30	$ 0.24
Diluted	$ 0.16	$ 0.14	$ 0.30	$ 0.24
DIVIDENDS PER COMMON SHARE	$ 0.09	$ 0.08	$ 0.18	$ 0.16

See Notes to Condensed Consolidated Financial Statements

4

United Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Net income	$ 805	$ 716	$ 1,499	$ 1,200
Other comprehensive income(loss), net of tax:				
Reclassification adjustment for realized gains on available-for-sale securities included in net income, net of tax of ($4), $0, ($11), $0	(7)	—	(20)	—
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of $(26), $99, $(17) and $174 for each respective period	(50)	193	(32)	336
Comprehensive income	$ 748	$ 909	$ 1,447	$ 1,536

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six months ended June 30, 2015	2014
Operating Activities		
Net income	$1,499	$1,200
Items not requiring (providing) cash		
Amortization (accretion) of premiums and discounts on securities, net	—	2
Depreciation and amortization	479	490
Amortization of intangible asset	59	59
Gain on sale of available-for-sale securities	(31)	—
Expense related to share based compensation plans	91	83
Expense related to ESOP	94	96
Provision for loan losses	261	432
Provision for losses on foreclosed real estate	—	162
Bank-owned life insurance	(176)	(44)
Gain on sale of loans	(29)	(16)
Proceeds from sale of loans	1,967	921
Loans originated for sale	(1,938)	(905)
(Gain) loss on sale of foreclosed assets	(2)	5
Amortization of mortgage servicing rights	7	9
Net change in accrued interest receivable and other assets	144	(619)
Net change in accrued expenses and other liabilities	(348)	(607)
Net cash provided by operating activities	2,077	1,268
Investing Activities		
Securities available for sale:		
Maturities, prepayments and calls	11,342	5,458
Purchases	(31,983)	(3,000)
Securities held to maturity:		
Maturities, prepayments and calls	215	119
Proceeds from sale of available-for-sale securities	383	—
Net change in loans	3,839	(5,910)
Mandatory redemption of Federal Home Loan Bank Stock	—	600
Purchase of insurance product	(2,500)	
Purchases of premises and equipment	(920)	(196)
Proceeds from sale of foreclosed assets	35	458

Net cash used in investing activities	(19,589)	(2,471)

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows (continued)

(In thousands)

(Unaudited)

	Six months ended June 30, 2015	2014
Financing Activities		
Net change in deposits	$761	$8,912
Net change in short-term borrowings	3,930	831
Repayments of long-term borrowings	(84)	(151)
Treasury stock activity	—	14
Cash dividends paid on common stock	(968)	(860)
Net cash provided by financing activities	3,639	8,746
(Decrease) increase in Cash and Cash Equivalents	(13,873)	7,543
Cash and Cash Equivalents, Beginning of Period	39,164	23,474
Cash and Cash Equivalents, End of Period	$25,291	$31,017
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$1,171	$1,356
Federal income taxes paid	$471	$580
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Transfers from loans to foreclosed assets held for sale	$—	$195
Vesting of restricted stock	$39	$203

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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 June 30, 2015, 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, 2014 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 six months ended June 30, 2015, 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, 2014 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, 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 offices 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 two offices in Lancaster, Ohio and offices in Amesville, Glouster, 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 branch locations.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary and fiscal policies, that are outside of management's control.

Use of Estimates

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or 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 Six Months Ended June 30, 2015 and 2014

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 Six Months Ended June 30, 2015 and 2014

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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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

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

Earnings Per Share

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands, except share and per share data)			
Basic				
Net income	$805	$716	$1,499	$1,200
Dividends on non-vested restricted stock	(14)	(13)	(28)	(28)
Net income allocated to stockholders	$791	$703	$1,471	$1,172
Weighted average common shares outstanding	4,854,020	4,851,805	4,854,684	4,832,847

Basic earnings per common share	$0.16	$0.14	$0.30	$0.24
Diluted				
Net income allocated to stockholders	$791	$703	$1,471	$1,172
Weighted average common shares outstanding for basic earnings per common share	4,854,020	4,851,805	4,854,684	4,832,847
Add: Dilutive effects of assumed exercise of stock options and restricted stock	84,522	80,215	84,522	80,215
Average shares and dilutive potential common shares	4,938,542	4,932,020	4,939,206	4,913,062
Diluted earnings per common share	$0.16	$0.14	$0.30	$0.24

12

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Options to purchase 53,714 shares of common stock at a weighted-average exercise price of $10.34 per share were outstanding at both June 30, 2015 and 2014, 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 2011.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 – Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not allowed. The Company is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures, if any.

ASU No. 2014-11, Transfer and Servicing (Topic) 860): *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*

ASU No. 2014-11 was issued in June 2014 and requires two accounting changes:

The accounting for repurchase-to-maturity transactions is changed to secured borrowings accounting, and for repurchase financing arrangements, separate accounting is required for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which results in secured borrowing accounting.

Additional disclosures are required. ASU No. 2014-11 was effective for first interim or annual reporting period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale is effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required fro annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. The Company adopted ASU 2014-11 as required, without a material impact on the Company’s financial position or results of operations.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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: June 30, 2015:				
U.S. government agencies	$35,998	$ 18	$ (89)	$ 35,927
State and political subdivisions	3,586	52	—	3,638
	$39,584	$ 70	$ (89)	$ 39,565
Available-for-sale Securities: December 31, 2014:				
U.S. government agencies	$14,443	$ 4	$ (67)	$ 14,380
State and political subdivisions	4,841	105	—	4,946
Equity securities	4	18	—	22
	$19,288	$ 127	$ (67)	$ 19,348

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
Held-to-maturity Securities:				
June 30, 2015:				
State and political subdivisions	$235	$ 1	$ —	$ 236
December 31, 2014:				
State and political subdivisions	$450	$ 1	$ —	$ 451

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at June 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Within one year	$830	$840	$ 235	$ 236
One to five years	37,262	37,217	—	—
Five to ten years	1,492	1,508	—	—
Totals	$39,584	$39,565	$ 235	$ 236

15

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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 June 30, 2015 and December 31, 2014, was $26.9 million and $7.1 million, which represented approximately 67.6% and 35.7%, 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 general increase in longer term interest rates.

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 June 30, 2015 and December 31, 2014:

June 30, 2015

Description of Securities (In thousands)	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
U.S. Government agencies	$ 26,909	$ (89)	$ —	$ —	$26,909	$ (89)

December 31, 2014

Description of Securities (In thousands)	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
U.S. Government agencies	$ 1,141	$ (2)	$ 5,935	$ (65)	$7,076	$ (67)

The unrealized losses on the Company's investments in U.S. Government agencies 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 June 30, 2015 and December 31, 2014.

For the six months ended June 30, 2015, proceeds from the sale of investment securities available-for-sale were $383,000, with gross realized gains of $31,000, and gross realized losses of zero. The gain is included in realized gains on sales of available-for-sale securities, net in the noninterest income section of the statement of income. There were no investment sales for the six months ended June 30, 2014.

For the three months ended June 30, 2015, proceeds from the sale of investment securities available-for-sale were $13,000, with gross realized gains of $11,000, and gross realized losses of zero. The gain is included in realized gains on sales of available-for-sale securities, net in the noninterest income section of the statement of income. The Company recorded tax expense of approximately on the sale of available-for-sale securities of $3,000 and $4,000 for the three and six months ended June 30, 2015. There were no investment sales for the three months ended June 30, 2014.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	June 30, 2015	December 31, 2014
	(In thousands)	
Commercial loans	$57,478	$ 52,286
Commercial real estate	152,264	158,314
Residential real estate	82,857	83,870
Installment loans	19,323	21,284
Total gross loans	311,922	315,754
Less allowance for loan losses	(2,697)	(2,400)
Total loans	$309,225	$ 313,354

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

<u>Commercial</u>

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

Commercial Real Estate

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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 six month period ended June 30, 2015

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Balance, April 1, 2015	$238	$ 1,119	$ 91	$ 171	$ 887	$2,506
Provision charged to expense	(11)	(351)	71	79	357	145
Losses charged off	—	—	—	(40)	—	(40)
Recoveries	7	3	10	66	—	86
Balance, June 30, 2015	$234	$ 771	$ 172	$ 276	$ 1,244	$2,697
Balance, January 1, 2015	$254	$ 1,116	$ 92	$ 147	$ 791	$2,400
Provision charged to expense	(46)	(352)	66	140	453	261
Losses charged off	—	—	—	(93)	—	(93)
Recoveries	26	7	14	82	—	129

Balance, June 30, 2015	$234	$ 771	$ 172	$ 276	$ 1,244	$2,697
Ending balance: individually evaluated for impairment	$86	$ 377	$ —	$ —	$ —	$463
Ending balance: collectively evaluated for impairment	$148	$ 394	$ 172	$ 276	$ 1,244	$2,234
Loans:						
Ending balance: individually evaluated for impairment	$98	$ 1,947	$ —	$ —	$ —	$2,045
Ending balance: collectively evaluated for impairment	$57,380	$ 150,317	$ 19,323	$ 82,857	$ —	$309,877

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Allowance for Loan Losses and Recorded Investment in Loans

As of and for the three and six month period ended June 30, 2014

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Balance, April 1, 2014	$1,054	$ 1,080	$ 237	$ 90	$ 577	$3,038
Provision charged to expense	(570)	749	(31)	60	8	216
Losses charged off	(13)	—	(81)	(61)	—	(155)
Recoveries	1	9	21	2	—	33
Balance, June 30, 2014	$472	$ 1,838	$ 146	$ 91	$ 585	$3,132
Balance, January 1, 2014	$412	$ 1,609	$ 141	$ 90	$ 642	$2,894
Provision charged to expense	83	216	121	69	(57)	432
Losses charged off	(25)	—	(178)	(71)	—	(274)
Recoveries	2	13	62	3	—	80
Balance, June 30, 2014	$472	$ 1,838	$ 146	$ 91	$ 585	$3,132
Ending balance: individually evaluated for impairment	$323	$ 1,353	$ —	$ —	$ —	$1,676
Ending balance: collectively evaluated for impairment	$149	$ 485	$ 146	$ 91	$ 585	$1,456
Loans:						
Ending balance: individually evaluated for impairment	$515	$ 6,143	$ —	$ —	$ —	$6,658
Ending balance: collectively evaluated for impairment	$48,394	$ 153,047	$ 24,135	$ 83,163	$ —	$308,739

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Allowance for Loan Losses and Recorded Investment in Loans

As of December 31, 2014

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$92	$ 622	$ —	$ —	$ —	$714
Ending balance: collectively evaluated for impairment	$162	$ 494	$ 147	$ 92	$ 791	$1,686
Loans:						
Ending balance: individually evaluated for impairment	$112	$ 1,756	$ —	$ —	$ —	$1,868
Ending balance: collectively evaluated for impairment	$52,174	$ 156,558	$ 21,284	$ 83,870	$ —	$313,886

20

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

The following tables show the portfolio quality indicators.

	June 30, 2015				
Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	$57,334	$ 146,421	$ 82,857	$ 19,323	$305,935
Special Mention	42	1,028	—	—	1,070
Substandard	102	4,815	—	—	4,917
Doubtful	—	—	—	—	—
	$57,478	$ 152,264	$ 82,857	$ 19,323	$311,922

	December 31, 2014				
Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	$51,895	$ 151,535	$ 83,870	$ 21,284	$308,584
Special Mention	265	1,980	—	—	2,245
Substandard	126	4,799	—	—	4,925
Doubtful	—	—	—	—	—
	$52,286	$ 158,314	$ 83,870	$ 21,284	$315,754

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 Six Months Ended June 30, 2015 and 2014

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 June 30, 2015

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
	(In thousands)						
Commercial	$101	$ —	$ 130	$ 64	$ 295	$57,183	$ 57,478
Commercial real estate	528	—	—	407	935	151,329	152,264
Residential	598	32	—	789	1,419	81,438	82,857
Installment	152	4	—	264	420	18,483	19,323
Total	$1,379	$ 36	$ 130	$ 1,524	$ 3,069	$308,853	$ 311,922

Loan Portfolio Aging Analysis

As of December 31, 2014

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
	(In thousands)						
Commercial	$—	$ —	$ —	$ 46	$ 46	$52,240	$ 52,286
Commercial real estate	394	—	127	247	768	157,546	158,314
Residential	292	17	—	658	967	82,903	83,870
Installment	70	11	—	7	88	21,196	21,284

Total	$756	$ 28	$ 127	$ 958	$ 1,869	$313,885	$ 315,754

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 Six Months Ended June 30, 2015 and 2014

Impaired Loans

	As of June 30, 2015			For the three months ended June 30, 2015		For the six months ended June 30, 2015	
	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	$—	$—	$ —	$ —	$ —	$ —	$ —
Commercial real estate	1,064	1,064	—	1,493	17	1,500	26
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	1,064	1,064	—	1,493	17	1,500	26
Loans with a specific valuation allowance:							
Commercial	98	98	86	100	2	102	4
Commercial real estate	883	883	377	928	3	945	18
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	981	981	463	1,028	5	1,047	22
Total:							
Commercial	$98	$ 98	$ 86	$ 100	$ 2	$ 102	$ 4
Commercial real estate	$1,947	$ 1,947	$ 377	$ 2,421	$ 20	$ 2,445	$ 44
Residential	$—	$—	$ —	$ —	$ —	$ —	$ —
Installment	$—	$—	$ —	$ —	$ —	$ —	$ —

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Impaired Loans

	As of December 31, 2014			For the three months ended June 30, 2014		For the six months ended June 30, 2014	
	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	$7	$ 7	$ —	$ 96	$ 1	$ 97	$ 1
Commercial real estate	794	1,144	—	684	6	691	14
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	801	1,151	—	780	7	788	15
Loans with a specific valuation allowance:							
Commercial	105	105	92	422	2	439	4
Commercial real estate	962	962	622	5,547	78	4,706	121
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	1,067	1,067	714	5,969	80	5,145	125
Total:							
Commercial	$112	$ 112	$ 92	$ 518	$ 3	$ 536	$ 5
Commercial real estate	$1,756	$ 2,106	$ 622	$ 6,231	$ 84	$ 5,397	$ 135
Residential	$—	$ —	$ —	$ —	$ —	$ —	$ —
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 Six Months Ended June 30, 2015 and 2014

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 June 30, 2014		
	Number of Contracts	**Pre- Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
	(In thousands)		
Commercial	—	$—	$—
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Three Months Ended June 30, 2014			
	Interest Only	Term	Combination	Total Modification
	(**In thousands**)			
Commercial	$—	$—	$—	$—
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

	Six Months ended June 30, 2014		
	Number Of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(In thousands)		
Commercial	—	$ —	$ —
Commercial real estate	2	155	68

Residential	—	—	—
Installment	—	—	—

	Six Months Ended June 30, 2014			
	Interest Only	Term	Combination	Total Modification
		(In thousands)		
Commercial	$ —	$ —	$ —	$ —
Commercial real estate	—	68	—	68
Residential	—	—	—	—
Consumer	—	—	—	—

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

During the three and six the months ended June 30, 2015, the Company did have any loans classified as troubled debt restructurings. During the six months ended June 30, 2014, troubled debt restructurings described above increased the allowance for loan losses by $87,000.

At June 30, 2015 and 2014 and for three and six 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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Service cost	$85	$74	$170	$148
Interest cost	48	35	96	70
Expected return on assets	(94)	(83)	(188)	(166)
Amortization of prior service cost and net loss	(12)	(15)	(24)	(30)
Pension expense	$27	$11	$54	$22

Note 5: Off-balance-sheet Activities

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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

	June 30, 2015	December 31, 2014
	(In thousands)	
Commercial loans unused lines of credit	$16,127	$ 13,950
Commitment to originate loans	9,152	9,228
Consumer open end lines of credit	36,293	35,604
Standby letters of credit	—	220

Note 6: Accumulated Other Comprehensive Loss

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

	June 30, 2015	December 31, 2014
	(In thousands)	
Net unrealized gain (loss) on securities available-for-sale	$ (19)	$ 60
Net unrealized gain for funded status of defined benefit plan liability	25	25
	6	85
Tax effect	1	28
Net-of-tax amount	$ 5	$ 57

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

27

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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 June 30, 2015 and December 31, 2014:

		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)			
June 30, 2015				
U.S. government agencies	$35,927	$ —	$ 35,927	$ —
State and political subdivisions	3,638	—	3,638	—
December 31, 2014				
U.S. government agencies	$14,380	$ —	$ 14,380	$ —
State and political subdivisions	4,946	—	4,946	—

Equity securities	22	22	—	—

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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 Six Months Ended June 30, 2015 and 2014

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 June 30, 2015 and December 31, 2014.

	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)			
June 30, 2015				
Collateral dependent impaired loans	$519	$ —	$ —	$ 519
December 31, 2014				
Collateral dependent impaired loans	$301	$ —	$ —	$ 301
Foreclosed assets held for sale	991	—	—	991

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 6/30/15 (In thousands)	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	$519	Market comparable properties	Marketability discount	Not available

			Unobservable Inputs	Range

	Fair Value at 12/31/14 (In thousands)	Valuation Technique		
Collateral-dependent impaired loans	301	Market comparable properties	Marketability discount	Not available
Foreclosed assets held for sale	$991	Market comparable properties	Selling costs	10% – 35%

There were no significant changes in the valuation techniques used during 2015.

30

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

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)			
June 30, 2015				
Financial assets				
Cash and cash equivalents	$25,291	$25,291	$ —	$ —
Held-to-maturity securities	235	—	236	—
Loans, net of allowance	309,225	—	—	307,513
Federal Home Loan Bank stock	4,210	—	4,210	—
Accrued interest receivable	792	—	792	—
Financial liabilities				
Deposits	323,442	—	308,801	—
Short term borrowings	9,028	—	9,028	—
Federal Home Loan Bank Advances	26,635	—	27,891	—
Subordinated debentures	4,124	—	3,962	—
Interest payable	127		127	

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

	Carrying Amount	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
December 31, 2014				
Financial assets	$39,164	$39,164	$ —	$ —
Cash and cash equivalents				
Held-to-maturity securities	450	—	451	—
Loans, net of allowance	313,354	—	—	312,014
Federal Home Loan Bank stock	4,210	—	4,210	—
Accrued interest receivable	829	—	829	—
Financial liabilities				
Deposits	322,681	—	309,186	—
Short term borrowings	5,098	—	5,098	—
Federal Home Loan Bank Advances	26,719	—	26,703	—
Subordinated debentures	4,124	—	3,962	—
Interest payable	135	—	135	—

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 Six Months Ended June 30, 2015 and 2014

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 June 30, 2015 and December 31, 2014.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2015 and 2014

Note 8: Repurchase Agreements

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

At June 30, 2015 and December 31, 2014, repurchase agreement borrowings totaled $9,028,000 and $5,098,000, respectively and are included in short-term borrowings on the consolidated condensed balance sheets. All repurchase agreements are subject to term and conditions of repurchase/security agreements between the Company and the customer and are accounted for as secured borrowings. The Company’s repurchase agreement reflected in short-term borrowings consist of customer accounts and securities which are pledged on an individual security basis.

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

	Remaining Contractual Maturity of the Agreement (In thousands)				
June 30, 2015	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreement					
U.S. government agencies	$ 13,000	$ —	$ —	$ —	$ 13,000
State and political subdivisions	998	—	—	—	998
Total	$ 13,998	$ —	$ —	$ —	$ 13,998

These borrowings were collateralized with U.S. government and agency securities with a carrying value of $14.0 million at June 30, 2015. Declines in the fair value would require the Company to pledge additional securities.

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

The following discusses the financial condition of the Company as of June 30, 2015, as compared to December 31, 2014, and the results of operations for the three and six months ended June 30, 2015, compared to the same period in 2014. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

Introduction

The Company reported diluted earnings per share of $0.30 for the six months ended June 30, 2015 compared to $0.24 for the six months ended June 30, 2014, an increase of 25%. This growth in earnings can be attributed to several factors which are explained below in detail. The Company's diluted earnings per share for the three months ended June 30, 2015 increased 14% to $0.16 from $0.14 for the three months ended June 30, 2014.

From an operating perspective, the Company's net interest margin decreased slightly for the first six months of 2015 to a level of 3.75% compared to 3.85% for the same period in 2014. This decrease in the net interest margin is attributed to the Company having a higher level of investment securities for the six months ended June 30, 2015 as compared to the same period in 2014. Even though the yield on these short-duration securities had somewhat of a dilutive impact on the net interest margin, the increased position in these securities helped keep the Company's level of investment income relatively stable. Period-over-period, the Company's average loans decreased $333,000. The Company maintained its funds management policy by continuing to keep the majority of its surplus funding in very liquid, lower-yielding excess reserves at the Federal Reserve, which totaled $31.1 million on an average basis for the six months ended June 30, 2015, and resisting the temptation of extending the duration of its investment portfolio to achieve higher investment yields; although, investment in shorter-duration securities accelerated during the quarter as previously mentioned. As a result, the securities and other restricted stock balance increased by $14.4 million to a level of $44.0 million at quarter-end. On a year-over-year basis, the Company's credit quality improved dramatically as nonaccrual loans were down $707,000, or 31.70%, to a level of $1.5 million. For the six months ended June 30, 2015, the Company actually recorded a net loan recovery of $35,000 as compared to having a net charge off of $194,000 for the six months ended June 30, 2014. With the improvement in credit quality, the Company decreased the provision for loan losses by $171,000 year-over-year. The overall total allowance for loan losses to total loans was 0.86% resulting in a total allowance for loan losses to nonperforming loans of 177.00% at June 30, 2015 compared to 0.99% and 140.37% respectively at June 30, 2014. With this continued trend of improving credit quality and coverage, the Company projects a further reduction of its provision for loan losses which should have a positive impact on future earnings.

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. Year-over-year, low-cost funding, consisting of demand and savings deposits, increased by $14.1 million while higher-cost time deposit balances decreased by over $9.9 million, helping to reduce the overall interest expense of the Company. The Company continued to see the positive impact of attracting a higher number of active transaction accounts which resulted in service charges on deposit accounts increasing by $82,000, or 6.14%, on a year-over-year basis as of June 30, 2015. It is projected that this trend will continue even with the Government mandated regulations relating to the Dodd-Frank Act being more fully implemented. The heightened implementation of this legislation may potentially have a limiting effect on the level of revenue realized per account which should be offset by the Company's focus on attracting a higher number of transaction accounts that can generate fee-based income. Lastly, the Company was able to further reduce its level of noninterest expense or overhead. As of June 30, 2015, noninterest expense decreased on a year-over-year basis by $539,000 or 7.94%. A portion of this cost savings is attributed to a pre-tax impairment charge of $162,000 on foreclosed real estate that was realized in the first quarter of 2014. Even without consideration of this impairment charge, noninterest expense still decreased $353,000 or 5.45%. As previously announced, the Company's office consolidation in its Glouster, Ohio marketplace was completed on March 16, 2015 and has lead to additional cost savings which should help to further contain noninterest expense in future periods. Our goal is to control our level of noninterest expense while continuing to build and strengthen our operational foundation which should lead to future growth, higher levels of earnings and, ultimately, a higher level of performance. Over the next 24 months, it is projected that the Company's interest expense will be positively impacted by the repricing of $26 million in fixed-rate advances with the Federal Home Loan Bank that are set to mature. The average cost of these advances is 3.66% and, given the current interest rate environment, the Company will either pay off these advances with its current liquidity or replace the advances at a substantial savings to interest expense. In addition, the Company's $4.1 million subordinated debenture is set to reprice January 1, 2016 from a fixed rate of 6.25% to a variable rate based on the three-month LIBOR plus a margin of 1.35%. With three-month LIBOR currently priced at approximately 28 basis points, the Company's rate on its debenture would decrease approximately 4.62%. This would save approximately $190,000 in interest expense annually beginning January 1, 2016. With our continued focus of shifting lower-yielding liquid assets into higher-yielding quality loans, growing service charge income on deposit accounts, controlling of our noninterest expense, reducing our interest expense in 2016 and the potential lowering of our loan loss provision even further, we are projecting continued improvement in our earnings for 2015 and into 2016.

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

The results that we are seeing today are reflective of the somewhat conservative posturing that we undertook in recent years to protect both our capital base and earnings stream. Most of these recent earnings improvements have come from process changes and product enhancements that have been undertaken in recent years which have led to operational efficiencies that have lowered our non-interest expense levels while driving higher levels of fee based revenue for our Company. We are happy with the results that we are starting to see and will continue to look for additional opportunities in these key areas as we have done this year with the office consolidation that we completed in the late first quarter in our Glouster, Ohio market and other internal process enhancements that continue to help our organization become more operationally efficient and produce higher levels of quality earnings. Such opportunities have led to our Company decreasing our federal tax equivalent employee count by 4.5% year-over-year while still serving our customer base at a high level and building profitable relationships as demonstrated by our continued growth in fee based revenue. Being a very well capitalized Bank in today's environment will allow us to change our focus in the coming quarters to further implement a growth strategy that was initiated late in the second quarter of this current year which exclusively focusses on driving the loan volumes of our company. This strategy, which has added additional origination personnel to our commercial and residential lending platforms and enhanced the lending programs that our Company offers, should generate higher levels of interest and fee based revenue in the coming quarters. We strongly anticipate that this newly initiated revenue enhancement strategy, along with the aforementioned downward pricing of a large portion of our borrowed funds base, should help enhance the overall net interest margin of our Company over the course of the next twenty-four months and drive earnings growth that is similar to what we have seen in recent quarters. Our Company is beginning to be rewarded by the markets for this level of performance as we have seen the market value of our stock increase from $8.03 at year-end to $8.97 at the most recent quarter-end. We believe with our Company's present price-to-earnings multiple and projected direction of earnings that our stock can continue to trade at higher market valuations in the near term. Our number one focus continues to be protecting and growing our shareholders investment in our Company through sound and profitable operations and strategic growth. In addition to driving the market value appreciation of our shareholders ownership, we will continue to strive to reward our owners by paying a solid cash dividend which increased 12.5% on a year-over-year basis and is presently yielding 4.01%. At this level, our Company's cash dividend is yielding nearly twice that of the average bank in our country. Overall, we are very pleased with the present operating performance of our Company and the direction that we are going.

Forward-Looking Statements

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

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

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

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

Critical Accounting Policies

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

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

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

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance is an estimate based on management's current judgment about the credit quality of the loan portfolio. While the Company strives to reflect all known risk factors in its evaluation, judgment errors may occur.

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

Analysis of Financial Condition

Earning Assets – Loans

Our focus as a community bank is to meet the credit needs of the markets we serve. At June 30, 2015, gross loans were $311.9 million, compared to $315.8 million at December 31, 2014, a decrease of $3.9 million after offsetting repayments for the period. The overall decrease in the loan portfolio was comprised of a $858,000 decrease in commercial and commercial real estate loans a $1.0 million decrease in residential loans and a $2.0 million decrease in installment loans since December 31, 2014.

Commercial and commercial real estate loans comprised 67.2% of total loans at June 30, 2015, compared to 66.7% at December 31, 2014. Commercial and commercial real estate loans have decreased $858,000, or less than 1.0% since December 31, 2014. This segment of the loan portfolio includes originated loans in our market areas and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company's primary market area, but mainly within the state of Ohio.

Installment loans represented 6.2% of total loans at June 30, 2015 and 6.7% at December 31, 2014. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased $2.0 million, or 9.2%, since December 31, 2014. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's banking locations.

Residential real estate loans were 26.6% of total loans at June 30, 2015 and 26.6% at December 31, 2014, representing a decrease of $1.0 million, or 1.2% since December 31, 2014. As of June 30, 2015, the Bank has approximately $8.1 million in fixed-rate loans that have been sold in the secondary market but still serviced by the Company as compared to $10.7 million at December 31, 2014. 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 June 30, 2015, the Company did not hold any loans for sale.

The allowance for loan losses totaled $2.7 million at June 30, 2015, which represented 0.86% of total loans, and $2.4 million at December 31, 2014, or 0.76% 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. The Company had a net recovery of $36,000 for the six months ended June 30, 2015. Net loans charged off decreased approximately $230,000 for the six months ended June 30, 2015 as compared to the same period in 2014.

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 June 30, 2015 increased approximately $20.0 million from December 31, 2014 totals. The opportunities to reinvest these liquid funds have been limited due to the historical low interest rates available on replacement investments. The Company has been cautious not to extend out maturities in this low rate environment.

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 June 30, 2015, total core deposits increased approximately $1.8 million, or less than 1.0%. The Company's savings accounts increased $2.2 million or 3.1% from December 31, 2014 totals. The Company's interest-bearing and non-interest bearing demand deposits decreased $3.5 million or 1.8% while certificates of deposit under $100,000 decreased by $3.9 million, or 7.7%. The Company considers core deposit to be stable; therefore, the amount of funds anticipated to flow out in the next three to six months is not considered material to the overall liquidity position of the Company.

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

Certificates of deposit greater than $100,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At June 30, 2015, certificates of deposit greater than $100,000 decreased $1.3 million or 7.8%, from December 31, 2014 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 $3.9 million from December 31, 2014 totals.

Results of Operations for the Six Months Ended June 30, 2015 and 2014

Net Income

For the six months ended June 30, 2015 the Company reported net earnings of $1.5 million, compared to $1.2 million for the six months ended June 30, 2014. On a per share basis, the Company’s diluted earnings were $0.30 for the six months ended June 30, 2015, as compared to $0.24 for the six months ended June 30, 2014, an increase of 24.9%.

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 after provision for loan losses decreased 1.2%, or $78,000 for the six months ended June 30, 2015 compared to the same period in 2014. Not wanting to take undue interest rate risk, we are keeping our the majority of the Company's liquidity in short term low yielding funds as *Cash and due from Bank.* With a 25 basis point return, this has impacted our 2015 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. Refer to the Introduction section for further discussion on interest rate risk.

Provision for Loan Losses

The Company's credit quality improved as non-accrual loans were down $707,000, or 31.70%, to a level of $1.5 million. For the six months ended June 30, 2015 the Company had a net loan recovery of $36,000 compared to net loans charged off $194,000 for the same period in 2014. With the improvement in credit quality, the Company decreased the provision for loan losses which was $261,000 for the six months ended June 30, 2015 compared to $432,000 for the six months ended June 30, 2014, a decrease of $171,000 or 39.5%.

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 level of transaction accounts was the Company's service charges on deposit accounts increased by $81,000 for the six months ended June 30, 2015 as compared to the same period in 2014. 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.

Noninterest Expense

Noninterest expense decreased on a year-over-year basis by $540,000 or 7.9%. Without the previously disclosed impairment charge of $152,720 taken in the first quarter of 2014 year relating to a landslide that rendered a bank-owned foreclosed real estate property in a condemned state, non-interest expense would have decreased by $387,000, or 5.8%, for the six months ended June 30, 2015.

Federal Income Taxes

The provision for federal income taxes was $607,000 for the six months ended June 30, 2015, an increase of $243,000 compared to the same period in 2014. The effective tax rate was 28.8% and 23.3% for the six months ended June 30, 2015 and 2014, respectively.

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

Results of Operations for the Three Months Ended June 30, 2015 and 2014

Net Income

For the three months ended June 30, 2015 the Company reported net earnings of $805,000, compared to $716,000 for the three months ended June 30, 2014. On a per share basis, the Company's diluted earnings were $0.16 for the three months ended June 30, 2015, as compared to $0.14 for the three months ended June 30, 2014.

Net Interest Income

Net interest income increased less that 2%, or $56,000 for the three months ended June 30, 2015 compared to the same period in 2014. This increase was mainly driven by an increase in loan fees of $85,000 or 41.0% for the three months ended June 30, 2015 over the same period in 2014.

Provision for Loan Losses

The provision for loan losses was $145,000 for the three months ended June 30, 2015, compared to $216,000 for the same period in 2014. As previously discussed, the decrease in the provision for loan losses was primarily due to the overall improvement in the Company's credit quality.

Noninterest Income

As previously mentioned attracting a higher level of transaction accounts has a positive impact on noninterest income. The Company's service charges on deposit accounts, a component of non interest income increased by $9,000 for the three months ended June 30, 2015 as compared to the same period in 2014. 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.

Noninterest Expense

Noninterest expense was $3.1 million for the three months ended June 30, 2015 a decrease of $187,000, compared to the three months ended June 30, 2014. Salaries and employee benefit expense decreased $27,000, or 1.7%, for the three month period ended June 30, 2015, compared to the same period in 2014. Professional fees decreased $33,000 for the three month ended June 30, 2015, as compared to the same period in 2014. Professional fees have decreased due to a decrease in collection expense of troubled loan relationships. Advertising expense decreased $36,000 for the three months ended June 30, 2015, as compared to the same period in 2014. The Company decided to cut back on certain promotional items in 2015 that it deemed not beneficial to the growth of the Company.

Federal Income Taxes

The provision for federal income taxes was $331,000 for the three months ended June 30, 2015, an increase of $89,000 compared to the same period in 2014. The effective tax rate was 29.2% and 25.3% for the three months ended June 30, 2015 and 2014, respectively.

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

Capital Resources

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled $41.1 million at June 30, 2015 compared to $40.4 million at December 31, 2014, a $664,000 increase. Total average stockholders' equity in relation to total average assets was 10.09% at June 30, 2015 and 9.63% at December 31, 2014. Our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date.

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

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

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

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

As of June 30, 2015, the Company continues to be well-capitalized in accordance with Federal regulatory capital requirements as the capital ratios below show:

Common equity tier 1 capital ratio	13.50%
Tier 1 capital ratio	14.82%
Total capital ratio	15.70%
Leverage ratio	10.90%

United Bancorp, Inc.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

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, 2014.

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 June 30, 2015, 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 June 30, 2015 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, 2014, filed on March 16, 2015.

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 4/1/2015 to 4/30/2015	—	—	—	—
Month #2 5/1/2015 to 5/31/2015	2,140	8.25	—	—
Month #3 6/1/2015 to 6/30/2015	—	—	—	—

The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the “Plan”), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and Company officers. Under the Plan, directors or other eligible participants may defer fees and up to 50% of their annual incentive award payable to them by the Company, which are used to acquire common shares which are credited to a participant’s respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant’s account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company’s stock. On May 27, 2015, the Plan purchased a total of 2,140 common shares for participant accounts. All purchases under this deferred compensation plan are funded with either earned director fees or officer incentive award payments.

No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

United Bancorp, Inc.

Part II – Other Information

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Exhibits

EX-3.1	Amended Articles of Incorporation of United Bancorp, Inc. [1]
EX-3.2	Amended Code of Regulations of United Bancorp, Inc. [2]
EX-4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
EX 31.1	Rule 13a-14(a) Certification – CEO
EX 31.2	Rule 13a-14(a) Certification – CFO
EX 32.1	Section 1350 Certification – CEO
EX 32.2	Section 1350 Certification – CFO
EX 101.INS	XBRL Instance Document
EX 101.SCH	XBRL Taxonomy Extension Schema Document
EX 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
EX 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
EX 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1)

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

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

SIGNATURES

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

		/s/United Bancorp, Inc.
Date: August 12, 2015	By:	/s/Scott A. Everson Scott A. Everson President and Chief Executive Officer
Date: August 12, 2015	By:	/s/Randall M. Greenwood Randall M. Greenwood Senior Vice President, Chief Financial Officer and Treasurer

47

Exhibit Index

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