

UNITED BANCORP INC /OH/  
Form 10-Q  
November 14, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2016

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 (IRS Employer Identification No.)

incorporation or organization)

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

(Address of principal executive offices)

(740) 633-0445

(Registrant's telephone number, including area code)

N/A

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

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller Reporting  
Company

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

Yes  No

Indicate the number of shares outstanding of the issuer's classes of common stock as of the latest practicable date: As of November 7, 2016, 5,425,304 shares of the Company's common stock, \$1.00 par value, were issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1	<u>Condensed Consolidated Balance Sheets</u>	3
	<u>Condensed Consolidated Statements of Income</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
	<u>Condensed Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
Item 4	<u>Controls and Procedures</u>	49

PART II - OTHER INFORMATION

Item 1	<u>Legal Proceedings</u>	50
Item 1A	<u>Risk Factors</u>	50
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 3	<u>Defaults Upon Senior Securities</u>	50
Item 4	<u>Mine Safety Disclosures</u>	51
Item 5	<u>Exhibits</u>	51
	<u>SIGNATURES</u>	52

**ITEM 1. Financial Statements****United Bancorp, Inc.****Condensed Consolidated Balance Sheets****(In thousands, except share data)**

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and due from banks	\$ 4,528	\$ 4,954
Interest-bearing demand deposits	8,719	7,747
Cash and cash equivalents	13,247	12,701
Available-for-sale securities	31,803	34,623
Loans, net of allowance for loan losses of \$2,454 and \$2,437 at September 30, 2016 and December 31, 2015, respectively	348,188	327,226
Premises and equipment	11,804	10,446
Federal Home Loan Bank stock	4,165	4,210
Foreclosed assets held for sale, net	320	357
Accrued interest receivable	787	803
Deferred income taxes	614	521
Bank-owned life insurance	11,742	11,509
Other assets	2,849	2,728
Total assets	\$ 425,519	\$ 405,124
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	\$ 195,162	\$ 188,328
Savings	79,077	77,672
Time	53,873	57,622
Total deposits	328,112	323,622
Short-term borrowings	13,554	5,691
Federal Home Loan Bank advances	33,605	26,530
Subordinated debentures	4,124	4,124
Interest payable and other liabilities	3,350	3,661
Total liabilities	382,745	363,628
Stockholders' Equity		
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued	—	—

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Common stock, \$1 par value; authorized 10,000,000 shares; issued 2016 –5,425,304, shares, 2015 – 5,385,304 shares; outstanding 2016 – 5,210,414, shares, 2015 – 5,143,637 5,425 shares			5,385
Additional paid-in capital	18,074		18,245
Retained earnings	22,450		21,443
Stock held by deferred compensation plan; 2016 –209,146 shares, 2015 – 235,923 shares	(1,845	)	(2,079 )
Unearned ESOP compensation	(1,105	)	(1,271 )
Accumulated other comprehensive loss	(179	)	(181 )
Treasury stock, at cost 2016 –5,744 shares, 2015 – 5,744 shares	(46	)	(46 )
Total stockholders' equity	42,774		41,496
Total liabilities and stockholders' equity	\$ 425,519		\$ 405,124

*See Notes to Condensed Consolidated Financial Statements*

United Bancorp, Inc.

## Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest and dividend income				
Loans, including fees	\$ 4,014	\$ 3,918	\$ 11,931	\$ 11,422
Taxable securities	85	90	237	252
Non-taxable securities	18	39	67	125
Federal funds sold	7	11	30	48
Dividends on Federal Home Loan Bank stock and other	42	60	126	170
Total interest and dividend income	4,166	4,118	12,391	12,017
Interest expense				
Deposits				
Demand	34	28	91	83
Savings	9	9	27	25
Time	140	219	453	675
Borrowings	249	322	773	958
Total interest expense	432	578	1,344	1,741
Net interest income	3,734	3,540	11,047	10,276
Provision for loan losses	131	126	307	387
Net interest income after provision for loan losses	3,603	3,414	10,740	9,889
Noninterest income				
Service charges on deposit accounts	667	731	1,968	2,141
Realized gains on sales of loans	25	11	68	40
BOLI benefit in excess of surrender value	—	29	—	29
Realized gains on sales of available –for-sale securities, net	—	—	—	31
Other income	364	216	789	621
Total noninterest income	1,056	987	2,825	2,862
Noninterest expense				
Salaries and employee benefits	1,835	1,587	5,185	4,757
Net occupancy and equipment expense	507	466	1,388	1,460
Professional services	175	187	555	555
Insurance	60	65	165	191
Deposit insurance premiums	63	63	169	177
Franchise and other taxes	76	78	244	218
Advertising	86	84	237	253
Stationery and office supplies	28	33	85	110
Amortization of intangible asset	—	7	—	66

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Provision for losses on foreclosed real estate and net of gains and losses on sales	6	67	16	67
Other expenses	509	545	1,694	1,572
Total noninterest expense	3,345	3,182	9,738	9,426
Income before federal income taxes	1,314	1,219	3,827	3,325
Federal income taxes	386	360	1,148	967
Net income	\$ 928	\$ 859	\$2,679	\$2,358
EARNINGS PER COMMON SHARE				
Basic	\$ 0.18	\$ 0.17	\$0.54	\$0.48
Diluted	\$ 0.18	\$ 0.17	\$0.53	\$0.47
DIVIDENDS PER COMMON SHARE				
	\$ 0.11	\$ 0.09	\$0.31	\$0.27

*See Notes to Condensed Consolidated Financial Statements*



United Bancorp, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income	\$ 928	\$ 859	\$ 2,679	\$ 2,358
Other comprehensive income, net of tax:				
Reclassification adjustment for net realized gains on available-for-sale securities included in net income during the period, net of taxes of \$0, \$0, \$0 and \$(11) for each respective period	—	—	—	(20 )
Unrealized holding (losses) gains on securities during the period, net of taxes (benefits) of \$(3), \$27, \$1 and \$0 for each respective period	(6 )	52	2	—
Comprehensive income	\$ 922	\$ 911	\$ 2,681	\$ 2,338

*See Notes to Condensed Consolidated Financial Statements*

United Bancorp, Inc.

## Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2016	2015
<b>Operating Activities</b>		
Net income	\$2,679	\$2,358
Items not requiring (providing) cash		
Depreciation and amortization	601	729
Amortization of intangible asset	—	66
Expense related to share based compensation plans	103	126
Provision for loan losses	307	387
Provision for losses on foreclosed real estate	6	55
Bank-owned life insurance	(233 )	124
Accretion of premiums and discounts on securities, net	(1 )	(1 )
Originations of loans held for sale	(3,294 )	(2,337 )
Proceeds from sale of loans held for sale	3,362	2,377
Realized gains on sales of loans	(68 )	(40 )
Amortization of ESOP	165	144
Realized losses on sales of other real estate and repossessed assets	10	12
Realized gains on available-for-sale securities	—	(31 )
Realized gains on sale of Great Lake Bankers stock	(162 )	—
Amortization of mortgage servicing rights	9	10
Net change in accrued interest receivable and other assets	(280 )	(99 )
Net change in accrued expenses and other liabilities	(309 )	(284 )
<b>Net cash provided by operating activities</b>	<b>2,895</b>	<b>3,596</b>
<b>Investing Activities</b>		
Securities available for sale:		
Maturities, prepayments and calls	23,827	27,348
Purchases	(21,000)	(38,997)
Proceeds from sale of available-for-sale securities	—	383
Securities held to maturity:		
Maturities, prepayments and calls	—	215
Net change in loans	(21,250)	(10,591)
Proceeds from sale of Great Lake Bankers Bank stock	208	—
Purchases of premises and equipment	(1,959 )	(1,063 )
Proceeds from sale of other real estate and repossessed assets	70	710

Net cash used by investing activities	(20,104)	(21,995)
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*See Notes to Condensed Consolidated Financial Statements*

United Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows (continued)

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2016	2015
<b>Financing Activities</b>		
Net change in deposits	\$4,490	\$516
Net change in short-term borrowings	7,863	5,146
Net change in Federal Home Loan Bank overnight borrowings	13,200	—
Repayments of long-term borrowings	(6,125 )	(132 )
Cash dividends paid on common stock	(1,673 )	(1,451 )
 Net cash provided by financing activities	 17,755	 4,079
 Increase (Decrease) in Cash and Cash Equivalents	 546	 (14,320)
Cash and Cash Equivalents, Beginning of Period	12,701	39,164
 Cash and Cash Equivalents, End of Period	 \$13,247	 \$24,844
 <b>Supplemental Cash Flows Information</b>		
Interest paid on deposits and borrowings	\$1,362	\$1,753
 Federal income taxes paid	 \$1,007	 \$605
 <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>		
Vesting of restricted stock	\$—	\$39

*See Notes to Condensed Consolidated Financial Statements*

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

#### Note 1: Summary of Significant Accounting Policies

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. (“Company”) at September 30, 2016, 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, 2015 included in its Annual Report on Form 10-K. Reference is made to the accounting policies of the Company described in the Notes to the Consolidated Financial Statements contained in its Annual Report on Form 10-K. The results of operations for the three months and nine months ended, are not necessarily indicative of the results to be expected for the full year. The condensed consolidated balance sheet of the Company as of December 31, 2015 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 branches in Bridgeport, Colerain, Dellroy, Dillonvale, Dover, Jewett, New Philadelphia, St. Clairsville East, St. Clairsville West, Sherrodsville, Strasburg, and Tiltonsville, Ohio. The Citizens Bank division also operates a Loan Production office in Wheeling, West Virginia. The Community Bank division conducts its business through its main office in Lancaster, Ohio and branches in Amesville, Glouster, Lancaster, and Nelsonville, Ohio. The Company's primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate and are not considered "sub prime" type loans. The targeted lending areas of our Bank operations encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's branch locations.

#### Use of Estimates

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

## Loans

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

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

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

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

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

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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 five years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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

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

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

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

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

#### Earnings Per Share

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(In thousands, except share and per share data)			
<b>Basic</b>				
Net income	\$928	\$859	\$2,679	\$2,358
Dividends on non-vested restricted stock	(20 )	(14 )	(48 )	(42 )
Net income allocated to stockholders	\$908	\$845	\$2,631	\$2,316
Weighted average common shares outstanding	4,944,328	4,860,742	4,895,371	4,856,308
Basic earnings per common share	\$0.18	\$0.17	\$0.54	\$0.48
<b>Diluted</b>				
Net income allocated to stockholders	\$908	\$845	\$2,631	\$2,316
Weighted average common shares outstanding for basic earnings per common share	4,944,328	4,860,742	4,895,371	4,856,308
Add: Dilutive effects of assumed exercise of stock options and restricted stock	116,277	89,411	116,276	89,411
Average shares and dilutive potential common shares	5,060,605	4,950,153	5,011,647	4,945,719
Diluted earnings per common share	\$0.18	\$0.17	\$0.53	\$0.47

Options to purchase 53,714 shares of common stock at a weighted-average exercise price of \$10.34 per share were outstanding at September 30, 2015, 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. There are no outstanding options at September 30, 2016.

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 2012.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

#### Recent Accounting Pronouncements

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

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments-Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments*." The provisions of ASU 2016-13 were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the financial assets.

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

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

ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2016-13 on its accounting and disclosures.

*ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting"*



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

ASU No. 2016-09 was issued in March 2016 and affects all entities that issue share-based payment awards to their employees. The new guidance involves several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under ASU No. 2016-09, any excess tax benefits or tax deficiencies should be recognized as income tax expense or benefit in the income statement. Excess tax benefits are to be classified as an operating activity in the statement of cash flows. In accruing compensation cost, an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, as required under current guidance, or account for forfeitures when they occur. For an award to qualify for equity classification, an entity cannot partially settle the award in excess of the employer's maximum statutory withholding requirements. Such cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity in the statement of cash flows. The amendments in ASU No. 2016-09 are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. Adoption of ASU No. 2016-09 is not expected to have a material impact on Company's results of operations or financial position.

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

ASU No. 2016-01 was issued in January 2016 and applies to all entities that hold financial assets or owe financial liabilities. It makes targeted changes to generally accepted accounting principles for public companies as follows:

1. Requires most equity investments to be measured at fair value with changes in fair value recognized in net income. Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
2. Eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
3. Requires use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

Requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

7. Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

For public business entities, the new guidance is effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. Adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09 "*Revenue from Contracts with Customers (Topic 606)*" (ASU 2014-09). This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 – Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. Originally, the amendments in ASU 2014-09 were effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not allowed. In July 2015, the FASB extended the implementation date to annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Transitional guidance is included in the update. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within that reporting period. The Company 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 for 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 Nine Months Ended September 30, 2016 and 2015

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

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

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

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

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

For public companies, the ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Thus, for a calendar year company, it would be effective January 1, 2019. The Company is currently evaluating the effects of this ASU on its financial statements and disclosures, if any.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available-for-sale Securities:				
September 30, 2016				
U.S. government agencies	\$30,000	\$ 2	\$ (18	) \$29,984
State and political subdivisions	1,813	6	—	1,819
	\$31,813	\$ 8	\$ (18	) \$31,803
Available-for-sale Securities:				
December 31, 2015:				
U.S. government agencies	\$32,000	\$ 11	\$ (50	) \$31,961
State and political subdivisions	2,637	25	—	2,662
	\$34,637	\$ 36	\$ (50	) \$34,623

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

The amortized cost and fair value of available-for-sale securities at September 30, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale	
	Amortized Cost	Fair Value
	(in thousands)	
Within one year	\$ 520	\$ 521
One to five years	31,293	31,282
Totals	\$ 31,813	\$ 31,803

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$28.8 and \$22.6 million at September 30, 2016 and December 31, 2015, respectively.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at September 30, 2016 and December 31, 2015, was \$15.0 million and \$24.0 million, which represented approximately 47.2% and 69.2%, respectively, of the Company's available-for-sale portfolio.

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

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

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and December 31, 2015:

September 30, 2016

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	\$14,982	\$ (18 )	\$ —	\$ —	\$14,982	\$ (18 )



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

December 31, 2015

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					

U.S. Government agencies	\$23,950	\$ (50 )	\$ —	\$ —	\$23,950	\$ (50 )
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The unrealized losses on the Company's investments in U.S. Government agency were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not likely the Company will be required or need to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at September 30, 2016 and December 31, 2015.

For the nine months ended September 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 available-for-sale investment sales for the nine months ended September 30, 2016.

There were no investment sales for the three months ended September 30, 2016 and 2015.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	September 30, 2016 (In thousands)	December 31, 2015
Commercial loans	\$89,820	\$ 67,247
Commercial real estate	168,517	163,459
Residential real estate	77,469	81,498
Installment loans	14,836	17,459
 Total gross loans	 350,642	 329,663
 Less allowance for loan losses	 (2,454 )	 (2,437 )
 Total loans	 \$348,188	 \$ 327,226

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

#### Commercial

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

Commercial Real Estate

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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.

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

**Allowance for Loan Losses and Recorded Investment in Loans****As of and for the three and nine month period ended September 30, 2015**

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Balance, July 1, 2015	\$234	\$ 771	\$ 172	\$ 276	\$ 1,244	\$2,697
Provision charged to expense	7	(28 )	14	46	87	126
Losses charged off	—	—	(20 )	(103 )	—	(123 )
Recoveries	—	4	7	16	—	27
Balance, September 30, 2015	\$241	\$ 747	\$ 173	\$ 235	\$ 1,331	\$2,727
Balance, January 1, 2015	\$254	\$ 1,116	\$ 92	\$ 147	\$ 791	\$2,400
Provision charged to expense	(39 )	(380 )	80	186	540	387
Losses charged off	—	—	(20 )	(196 )	—	(216 )
Recoveries	26	11	21	98	—	156
Balance, September 30, 2015	\$241	\$ 747	\$ 173	\$ 235	\$ 1,331	\$2,727
Ending balance: individually evaluated for impairment	\$84	\$ 331	\$ —	\$ 129	\$ —	\$544
Ending balance: collectively evaluated for impairment	\$157	\$ 416	\$ 173	\$ 106	\$ 1,331	\$2,183
Loans:						
Ending balance: individually evaluated for impairment	\$96	\$ 1,496	\$ —	\$ 224	\$ —	\$1,816
Ending balance: collectively evaluated for impairment	\$61,625	\$ 161,726	\$ 83,200	\$ 17,958	\$ —	\$324,509

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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

As of December 31, 2015

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
	(In thousands)					
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	\$9	\$ 172	\$ —	\$ —	\$ —	\$ 181
Ending balance: collectively evaluated for impairment	\$ 175	\$ 425	\$ 170	\$ 113	\$ 1,373	\$ 2,256
Loans:						
Ending balance: individually evaluated for impairment	\$57	\$ 1,273	\$ —	\$ 80	\$ —	\$ 1,410
Ending balance: collectively evaluated for impairment	\$67,190	\$ 162,186	\$ 81,498	\$ 17,379	\$ —	\$ 328,253

The following tables show the portfolio quality indicators.

Loan Class	September 30, 2016				
	Commercial	Commercial Real Estate	Residential	Installment	Total
	(In thousands)				
Pass Grade	\$86,543	\$ 163,821	\$ 77,469	\$ 14,836	\$ 342,669
Special Mention	3,183	3,274	—	—	6,457
Substandard	94	1,422	—	—	1,516
Doubtful	—	—	—	—	—
	\$89,820	\$ 168,517	\$ 77,469	\$ 14,836	\$ 350,642

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Loan Class	December 31, 2015		Residential	Installment	Total
	Commercial	Commercial Real Estate			
	(In thousands)				
Pass Grade	\$67,150	\$ 158,362	\$ 81,498	\$ 17,363	\$324,373
Special Mention	39	996	—	—	1,035
Substandard	58	4,101	—	96	4,255
Doubtful	—	—	—	—	—
	\$67,247	\$ 163,459	\$ 81,498	\$ 17,459	\$329,663



United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

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

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

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

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

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

**Loan Portfolio Aging Analysis****As of September 30, 2016**

	30-59 Days Past Due and Accruing (In thousands)	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
Commercial	\$198	\$ —	\$ 75	\$ 49	\$ 322	\$89,498	\$ 89,820
Commercial real estate	34	—	—	290	324	168,193	168,517
Residential	363	586	—	1,001	1,950	75,519	77,469
Installment	93	—	—	59	152	14,684	14,836
Total	\$688	\$ 586	\$ 75	\$ 1,399	\$ 2,748	\$347,894	\$ 350,642

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

### Loan Portfolio Aging Analysis

As of December 31, 2015

	30-59 Days Past Due and Accruing (In thousands)	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
Commercial	\$ 141	\$ —	\$ —	\$ 63	\$ 204	\$ 67,043	\$ 67,247
Commercial real estate	319	—	132	250	701	162,758	163,459
Residential	737	500	—	599	1,836	79,662	81,498
Installment	220	71	—	132	423	17,036	17,459
Total	\$ 1,417	\$ 571	\$ 132	\$ 1,044	\$ 3,164	\$ 326,499	\$ 329,663

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

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

**Impaired Loans**

	As of September 30, 2016			For the three months ended September 30, 2016	For the nine months ended September 30, 2016		
	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	\$19	\$19	\$ —	\$ 19	\$ —	\$ 19	\$ —
Commercial real estate	707	815	—	1,219	15	1,228	32
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	726	834	—	1,238	15	1,247	32
Loans with a specific valuation allowance:							
Commercial	—	—	—	—	—	—	—
Commercial real estate	633	633	156	757	4	769	21
Residential	—	—	—	—	—	—	—
Installment	—	—	—	—	—	—	2
	633	633	156	757	4	769	23
Total:							
Commercial	\$19	\$19	\$ —	\$ 19	\$ —	\$ 19	\$ —
Commercial real estate	\$1,340	\$1,448	\$ 156	\$ 1,976	\$ 19	\$ 1,997	\$ 53
Residential	\$—	\$—	\$ —	\$ —	\$ —	\$ —	\$ —
Installment	\$—	\$—	\$ —	\$ —	\$ —	\$ —	\$ 2

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2016 and 2015

**Impaired Loans**

	As of December 31, 2015			For the three months ended September 30, 2015 Average		For the nine months ended September 30, 2015 Average	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Investment in Impaired Loans	Interest Income Recognized	Investment in Impaired Loans	Interest Income Recognized
	(In thousands)						
Loans without a specific valuation allowance:							
Commercial	\$44	\$ 74	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate	464	464	—	895	5	1,162	31
Residential	80	203	—	—	—	—	—
Installment	—	—	—	—	—	—	—
	588	741	—	895	5	1,162	31
Loans with a specific valuation allowance:							
Commercial	13	49	9	98	1	101	5
Commercial real estate	809	961	172	1,077	9	1,078	27
Residential	—	—	—	—	—	—	—
Installment	—	—	—	235	10	237	14
	822	1,010	181	1,410	20	1,416	46
Total:							