EQUINIX INC
Form 4
October 09, 2007

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
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(Print or Type Responses)

1. Name and Address of Reporting Person *
TAYLOR KEITH D

(Last) (First) (Middle)

301 VELOCITY WAY

(Street)

FOSTER CITY, CA 94404

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EQUINIX INC [EQIX]

3. Date of Earliest Transaction (Month/Day/Year)
10/08/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 10/08/2007 | | M | | 1,000 | A | $ 30.02 | 53,167 | D | |
| Common Stock | 10/08/2007 | | S (2) | | 1,000 | D | $ 93.8146 (3) | 52,167 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. F Der Sec (Ins |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Stock Option (right to buy) | $ 30.02 | 10/08/2007 | | M | | | 1,000 | (1) | 02/09/2014 | Common Stock | 1,000 | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| TAYLOR KEITH D<br>301 VELOCITY WAY<br>FOSTER CITY, CA 94404 | | | Chief Financial Officer | |

# Signatures

| | |
|---|---|
| Darrin Short, Attorney-in-Fact | 10/09/2007 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Option vests in 48 equal monthly installments from January 1, 2004.

**(2)** Shares sold pursuant to a 10b5-1 Trading Plan.

**(3)** The average price of $93.8146 consists of the following blocks of shares: 28 shares sold at $93.64, 42 at $93.66, 100 at $93.71, 300 at $93.78, 30 at $93.80 and 500 at $93.88.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. k 2.5pt double; text-align: right">— $77 Ending balance: collectively evaluated for impairment $532 $768 $447 $291 $177 $2,215 Loans: Ending balance: individually evaluated for impairment $129 $841 $— $462 $— $1,432 Ending balance: collectively evaluated for impairment $51,732 $216,508 $75,158 $12,739 $— $356,137

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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

**As of and for the three and six month period ended June 30, 2016**

| | Commercial | Commercial Real Estate | Residential | Installment | Unallocated | Total |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| Balance, April 1, 2016 | $192 | $702 | $166 | $236 | $1,079 | $2,375 |
| Provision charged to expense | 231 | (278) | (15) | 9 | 158 | 105 |
| Losses charged off | — | — | — | (120) | — | (120) |
| Recoveries | 74 | 3 | 12 | 16 | — | 105 |
| Balance, June 30, 2016 | $497 | $427 | $163 | $141 | $1,237 | $2,465 |
| Balance, January 1, 2016 | $184 | $597 | $170 | $113 | $1,373 | $2,437 |
| Provision charged to expense | 238 | (177) | 72 | 179 | (136) | 176 |
| Losses charged off | (2) | — | (91) | (191) | — | (284) |
| Recoveries | 77 | 7 | 12 | 40 | — | 136 |
| Balance, June 30, 2016 | $497 | $427 | $163 | $141 | $1,237 | $2,465 |
| | | | | | | |
| Loans: | | | | | | |
| Ending balance: individually evaluated for impairment | $1 | $1,368 | $— | $— | $— | $1,369 |
| Ending balance: collectively evaluated for impairment | $86,538 | $167,149 | $78,307 | $15,459 | $— | $347,453 |

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

**As of December 31, 2016**

| | Commercial | Commercial Real Estate | Residential | Installment | Unallocated | Total |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| | $11 | $108 | $— | $— | $— | $119 |

Explanation of Responses:

| | | | | | | |
|---|---|---|---|---|---|---|
| Ending balance: individually evaluated for impairment | | | | | | |
| Ending balance: collectively evaluated for impairment | $484 | $ 696 | $ 591 | $ 107 | $ 344 | $2,222 |
| Loans: | | | | | | |
| Ending balance: individually evaluated for impairment | $3,148 | $ 1,178 | $ — | $ 326 | $ — | $4,652 |
| Ending balance: collectively evaluated for impairment | $71,366 | $ 190,508 | $ 76,154 | $ 14,041 | $ — | $352,069 |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

The following tables show the portfolio quality indicators.

| | June 30, 2017 | | | | |
|---|---|---|---|---|---|
| Loan Class | Commercial | Commercial Real Estate | Residential | Installment | Total |
| | **(In thousands)** | | | | |
| Pass Grade | $48,798 | $ 213,161 | $ 75,158 | $ 12,739 | $349,856 |
| Special Mention | 140 | 3,171 | — | — | 3,311 |
| Substandard | 2,923 | 1,017 | — | 462 | 4,402 |
| Doubtful | — | — | — | — | — |
| | $51,861 | $ 217,349 | $ 75,158 | $ 13,201 | $357,569 |

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

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.

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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, 2017**

| | 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 | $— | $ 97 | $ — | $ 90 | $ 187 | $75,383 | $ 75,570 |
| Commercial real estate | — | 31 | — | 635 | 666 | 192,974 | 193,640 |
| Residential | 655 | 123 | — | 871 | 1,649 | 73,509 | 75,158 |
| Installment | 73 | 7 | — | 8 | 88 | 13,113 | 13,201 |
| Total | $728 | $ 258 | $ — | $ 1,604 | $ 2,590 | $354,979 | $ 357,569 |

**Loan Portfolio Aging Analysis**

**As of December 31, 2016**

| | 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 | $153 | $ 105 | $ 75 | $ 49 | $ 382 | $74,132 | $ 74,514 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Commercial real estate | — | 55 | — | 335 | 390 | 191,296 | 191,686 |
| Residential | 805 | 135 | 161 | 922 | 2,023 | 74,131 | 76,154 |
| Installment | 213 | 8 | — | 55 | 276 | 14,091 | 14,367 |
| Total | $1,171 | $ 303 | $ 236 | $ 1,361 | $ 3,071 | $353,650 | $ 356,721 |

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

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

**Impaired Loans**

| | As of June 30, 2017 | | | For the three months ended June 30, 2017 | | For the six months ended June 30, 2017 | |
|---|---|---|---|---|---|---|---|
| | 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 | $129 | $ 129 | $ — | $ 131 | $ 1 | $ 128 | $ 2 |
| Commercial real estate | 401 | 401 | — | 808 | 3 | 825 | 5 |
| Residential | — | — | — | — | — | — | — |
| Installment | 462 | 462 | — | 463 | 3 | 477 | 3 |
| | 992 | 992 | — | 1,402 | 7 | 1,430 | 10 |
| Loans with a specific valuation allowance: | | | | | | | |
| Commercial | — | — | — | — | — | — | 3 |
| Commercial real estate | 440 | 440 | 77 | 489 | 6 | 498 | 12 |
| Residential | — | — | — | — | — | — | — |
| Installment | — | — | — | — | — | — | — |
| | 440 | 440 | 77 | 489 | 6 | 498 | 15 |
| Total: | | | | | | | |
| Commercial | $129 | $ 129 | $ — | $ 131 | $ 1 | $ 128 | $ 5 |
| Commercial real estate | $841 | $ 841 | $ 77 | $ 1,297 | $ 9 | $ 1,323 | $ 17 |
| Residential | $— | $ — | $ — | $ — | $ — | $ — | $ — |
| Installment | $462 | $ 462 | $ — | $ 463 | $ 3 | $ 477 | $ 3 |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

**Impaired Loans**

| | As of December 31, 2016 | | | For the three months ended June 30, 2016 | | For the six months ended June 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 | $2,975 | $ 2,975 | $ — | $ 1 | $ — | $ 1 | $ — |
| Commercial real estate | 658 | 766 | — | 875 | 9 | 884 | 17 |
| Residential | — | — | — | — | — | — | — |
| Installment | 326 | 326 | — | — | — | — | — |
| | 3,959 | 4,067 | — | 876 | 9 | 885 | 17 |
| Loans with a specific valuation allowance: | | | | | | | |
| Commercial | 173 | 173 | 11 | — | — | — | — |
| Commercial real estate | 520 | 520 | 108 | 1,098 | 6 | 1,102 | 17 |
| Residential | — | — | — | — | — | — | — |
| Installment | — | — | — | — | 2 | — | 2 |
| | 693 | 693 | 119 | 1,098 | 8 | 1,102 | 19 |
| Total: | | | | | | | |
| Commercial | $3,148 | $ 3,148 | $ 11 | $ 1 | $ — | $ 1 | $ — |
| Commercial real estate | $1,178 | $ 1,286 | $ 108 | $ 1,973 | $ 15 | $ 1,986 | $ 34 |
| Residential | $326 | $ 326 | $ — | $ — | $ — | $ — | $ — |
| Installment | $— | $ — | $ — | $ — | $ 2 | $ — | $ 2 |

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

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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

| | Three Months ended June 30, 2017 | | |
|---|---|---|---|
| | Number of Contracts | Pre- Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| | (In thousands) | | |
| Commercial | — | $ — | $ — |
| Commercial real estate | 2 | 127 | 103 |
| Residential | — | — | — |
| Installment | — | — | — |

| | Three Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Interest Only | Term | Combination | Total Modification |
| | | **(In thousands)** | | |
| Commercial | $ — | $ — | $ — | $ — |
| Commercial real estate | — | 103 | — | 103 |
| Residential | — | — | — | — |
| Consumer | — | — | — | — |

| | Six Months ended June 30, 2017 | | |
|---|---|---|---|
| | Number of Contracts | Pre- Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| | (In thousands) | | |
| Commercial | — | $ — | $ — |

| | | | |
|---|---|---|---|
| Commercial real estate | 2 | 127 | 103 |
| Residential | — | — | — |
| Installment | — | — | — |

| | Six Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Interest Only | Term | Combination | Total Modification |
| | (**In thousands**) | | | |
| Commercial | $ — | $ — | $ — | $ — |
| Commercial real estate | — | 103 | — | 103 |
| Residential | — | — | — | — |
| Consumer | — | — | — | — |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

| | Three Months ended June 30, 2016 | | |
|---|---|---|---|
| | 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, 2016 | | | |
|---|---|---|---|---|
| | Interest Only | Term | Combination | Total Modification |
| | | (**In thousands**) | | |
| Commercial | $ — | $ — | $ — | $ — |
| Commercial real estate | — | — | — | — |
| Residential | — | — | — | — |
| Consumer | — | — | — | — |

| | Six Months ended June 30, 2016 | | |
|---|---|---|---|
| | Number of Contracts | Pre- Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| | (In thousands) | | |
| Commercial | — | $ — | $ — |
| Commercial real estate | 2 | 85 | 85 |
| Residential | — | — | — |
| Installment | — | — | — |

| | Six Months Ended June 30, 2016 | |
|---|---|---|
| | Term | Combination |

| | Interest Only | | | Total Modification |
|---|---|---|---|---|
| | (**In thousands**) | | | |
| Commercial | $ — | $ — | $ — | $ — |
| Commercial real estate | — | 85 | — | 85 |
| Residential | — | — | — | — |
| Consumer | — | — | — | — |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

During the six months ended June 30, 2017,and 2016 troubled debt restructurings described above increased the allowance for loan losses by 24,000 and $8,300, respectively. At June 30, 2017 and 2016 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, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | **(In thousands)** | | | |
| Service cost | $68 | $78 | $136 | $156 |
| Interest cost | 50 | 50 | 100 | 100 |
| Expected return on assets | (90) | (86) | (180) | (172) |
| Amortization of prior service cost and net loss | (6) | (2) | (12) | (4) |
| Pension expense | $22 | $40 | $44 | $80 |

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.

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Explanation of Responses:

United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | **(In thousands)** | |
| Commercial loans unused lines of credit | $25,629 | $ 20,942 |
| Commitment to originate loans | 12,535 | 12,349 |
| Consumer open end lines of credit | 37,075 | 35,590 |

Note 6: Accumulated Other Comprehensive Loss

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | **(In thousands)** | |
| Net unrealized loss on securities available-for-sale | $(108 ) | $ (483 ) |
| Net unrealized loss for funded status of defined benefit plan liability | (205 ) | (205 ) |
| | (313 ) | (688 ) |
| Tax effect | 107 | 234 |
| Net-of-tax amount | $(206 ) | $ (454 ) |

Note 7: Fair Value Measurements

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

| | |
|---|---|
| **Level 1** | Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date |
| **Level 2** | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| **Level 3** | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Company's equity securities are classified within Level 1 of the hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and December 31, 2016:

| | | 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, 2017 | | | | |

| | | | | |
|---|---|---|---|---|
| U.S. government agencies | $38,892 | $ — | $ 38,892 | $ — |
| December 31, 2016 | | | | |
| U.S. government agencies | $38,514 | $ — | $ 38,514 | $ — |
| State and political subdivisions | 1,252 | — | 1,252 | — |

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**United Bancorp, Inc.**

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent)

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

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

Foreclosed Assets Held for Sale

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

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

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and December 31, 2016.

| | | 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, 2017 | | | | |
| Collateral dependent impaired loans | $338 | $ — | $ — | $ 338 |
| December 31, 2016 | | | | |
| Collateral dependent impaired loans | $3,435 | $ — | $ — | $ 3,435 |
| Foreclosed assets held for sale | 249 | — | — | 249 |

Unobservable (Level 3) Inputs

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

| | Fair Value at | Valuation Technique | Unobservable Inputs | Range |
|---|---|---|---|---|

| | 6/30/17<br>**(In thousands)** | | | |
|---|---|---|---|---|
| Collateral-dependent impaired loans | $338 | Market comparable properties | Marketability discount | Not available |

| | Fair Value at 12/31/16<br>**(In thousands)** | Valuation Technique | Unobservable Inputs | Range |
|---|---|---|---|---|
| Collateral-dependent impaired loans | $3,435 | Market comparable properties | Marketability discount | Not available |
| Foreclosed assets held for sale | $249 | Market comparable properties | Selling costs | 10% – 35% |

There were no significant changes in the valuation techniques used during 2017 and 2016.

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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, 2017 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | $20,784 | $20,784 | $ — | $ — |
| Loans, net of allowance | 355,277 | — | — | 357,705 |
| Federal Home Loan Bank stock | 4,164 | — | 4,164 | — |
| Accrued interest receivable | 761 | — | 761 | — |
| Financial liabilities | | | | |
| Deposits | 373,915 | — | 345,718 | — |
| Short term borrowings | 12,989 | — | 12,989 | — |
| Federal Home Loan Bank Advances | 10,278 | — | 10,351 | — |
| Subordinated debentures | 4,124 | — | 3,435 | — |
| Interest payable | 81 | | 81 | |

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

| | Carrying Amount | Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | **(In thousands)** | | | |
| December 31, 2016 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | $11,541 | $11,541 | $ — | $ — |
| Loans, net of allowance | 354,380 | — | — | 355,753 |
| Federal Home Loan Bank stock | 4,164 | — | 4,164 | — |
| Accrued interest receivable | 840 | — | 840 | — |
| Financial liabilities | | | | |
| Deposits | 338,803 | — | 312,240 | — |
| Short term borrowings | 9,393 | — | 9,393 | — |
| Federal Home Loan Bank Advances | 39,855 | — | 40,120 | — |
| Subordinated debentures | 4,124 | — | 3,435 | — |
| Interest payable | 111 | — | 111 | — |

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

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

The carrying amounts approximate fair value.

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

Loans

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

Deposits

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

Interest Payable

The carrying amount approximates fair value.

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

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

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

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. Fair values of commitments were not material at June 30, 2017 and December 31, 2016.

Note 8: Repurchase Agreements

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

At June 30, 2017 and December 31, 2016, repurchase agreement borrowings totaled $12,989,000 and $9,393,000, respectively and are included in short-term borrowings on the consolidated condensed balance sheets. All repurchase agreements are subject to term and conditions of repurchase/security agreements between the Company and the customer and are accounted for as secured borrowings. The Company's repurchase agreement reflected in short-term borrowings consist of customer accounts and securities which are pledged on an individual security basis.

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United Bancorp, Inc.

Notes to Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017 and 2016

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

| | Remaining Contractual Maturity of the Agreement (In thousands) | | | | |
|---|---|---|---|---|---|
| June 30, 2017 | Overnight and Continuous | Up to 30 Days | 30-90 Days | Greater than 90 Days | Total |
| Repurchase Agreements | | | | | |
| U.S. government agencies | $ 12,989 | $ — | $ — | $ — | $ 12,989 |
| Total | $ 12,989 | $ — | $ — | $ — | $ 12,989 |

| December 31, 2016 | Overnight and Continuous | Up to 30 Days | 30-90 Days | Greater than 90 Days | Total |
|---|---|---|---|---|---|
| Repurchase Agreements | | | | | |
| U.S. government agencies | $9,393 | $ — | $ — | $ — | $9,393 |
| Total | $9,393 | $ — | $ — | $ — | $9,393 |

These borrowings were collateralized with U.S. government and agency securities with a carrying value of $17.5 million at June 30, 2017 and $13.0 million at December 31, 2016. Declines in the fair value would require the Company to pledge additional securities.

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**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, 2017, as compared to December 31, 2016, and the results of operations for the three and six months ended June 30, 2017, compared to the same period in 2016. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

**Introduction**

The Company reported diluted earnings per share of $0.35 and net income of $1,766,000 for the six months ended June 30, 2017, as compared to $0.35 and $1,751,000 for the same period in 2016. The Company's diluted earnings per share and net income for the three months ended June 30, 2017 was $0.18 and $916,000, as compared to $0.18 and $907,000 respectively for the prior year.

We are happy to report on the increase of the net interest income of our Company for the six months ended June 30, 2017. During this period, the Company's net interest income increased by $285,000, or 3.9%, from the previous year. The primary driver of this increase of the Company's net interest income was the increase in interest income on loans, which was up by $109,000, or 2.9%, year-over-year. The increase in the interest income that our Company realized is directly attributed to the focus that we had this past year on our lending platform. For the year, our Company had an increase in its average loans of $19.2 million or 5.7%. Our company was able to achieve this level of growth in its loans outstanding while maintaining its overall stability in credit quality. Year-over-year, the Company maintained very solid credit quality-related metrics by having nonaccrual loans and loans past due 30+ days decrease from a level of $2.81 million to $2.59 million, a decrease of $218,000. Further— net loans charged-off, excluding overdrafts, was $54,000 through June 30, 2017, which is a decrease of $46,000 from the previous year. At this present level, total past due and nonaccrual loans to gross loans is a very solid 0.72% versus 0.80% the prior year. Net charge offs to average loans was 0.06% for the six months ended June 30, 2017. The net interest income for our Company increased year-over-year even as we focused on growing retail core-deposits to fund our loan growth. Total deposits increased by $46.9 million, or 14.4%, to a level of $373.9 million as of June 30, 2017. The Company was able to control its overall interest expense levels by attracting lower cost funding alternatives. Overall, the Company saw its low cost retail funding (consisting of non-interest and interest bearing demand and savings deposits) comprise $35.8 million of its growth in retail deposits year-over-year. In addition, the Company's time deposits, which consist of certificate of deposit or term funding, increased by $11.2 million for the same period. Even with the significant growth in retail core deposit funding, the Company had a decrease in its overall interest expense to average assets, which decreased on a year-over-year basis from 0.44% to 0.40%. This decrease in the overall cost of funding is attributed to the repricing of the Company's $10.0 million in fixed rate advances with the Federal Home Loan Bank (FHLB). The Company forecasts additional reductions in the cost of its present wholesale funding, which consists of $10.0 million in fixed rate advances with the FHLB, over the remainder of the current year. By year-end, it is anticipated that these advances (which presently cost the Company 3.56%) will be paid off with the current liquidity the company has on its balance sheet. By paying off these present fixed rate advances with lower cost retail-based funding, the Company should realize additional savings or containment in its overall interest expense levels.

United Bancorp, Inc.

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

**Condition and Results of Operations**

The noninterest income of the Company was down by $68,000 year-over-year. This decrease in the fee-based income of the Company is directly attributed to the service charges on deposit accounts decreasing by a like amount over the same period. On the noninterest expense-side of the net noninterest margin (and, as expected), the Company saw an increase in its overall noninterest expense levels. In anticipation of building its infrastructure for future growth, the Company saw its noninterest expense increase by $306,000 or 4.8%. Most of the increase in our noninterest expense levels was related to personnel-related expenses on the production-side, which should lead to our Company realizing higher levels of revenue in the coming quarters. Considering that most of this expense is "fixed," we firmly believe that we should be able to drive higher levels of revenue without significantly adding to our overall noninterest expense levels in the short-term; therefore, enhancing our Company's earnings and returns.

We are pleased to report that we are executing upon our growth strategy, Mission 2020, which calls for our Company to grow its assets (in a profitable fashion) to a level of $1.0 billion or greater by the end of 2020. Even though we realize that we have an extremely long way to go to achieve our ambitious growth goal, it is gratifying to see the organic growth that we achieved year-over-year. Although we will need to have a compounded annual growth rate of approximately twenty-three percent from the beginning of this year in order to achieve the level of growth envisioned under Mission 2020, we firmly believe that it is achievable with the present vision that we have (which includes both organic and acquisition-related growth). From an organic perspective this past year, our Company grew its assets $28.6 million, or 6.8%, to an overall level of $448.7 million as of June 30, 2017. As previously mentioned, most of this growth occurred in our Company's higher-yielding loan portfolio, which enhanced the overall interest income that we realized. Also, as previously mentioned, the overall net interest income (or, revenue-line) of our Company increased year-over-year. Our Company was able to achieve this growth in net interest income with growth in both its loans outstanding and core deposit funding. As expected, we saw marginal growth in the net income that our Company realized year-over-year. After several years of containment, our Company saw its overall noninterest expense levels increase this past year as we continue to build for the future and support our overall mission for growth. Most of the increase in our noninterest expense levels occurred in the following areas: hiring additional loan origination personnel to drive the revenue of our Company; completing the renovation of our Main Office to support an enhanced loan origination platform; opening a new Loan Production Office in the Wheeling, West Virginia market to increase overall loan production and to introduce our Company to a new, highly desirable market; marketing expense relating to the prime retail deposit pricing that we have been successfully promoting; and, lastly, legal expenses relating to the upcoming renaming of our Company's single bank charter, The Citizens Savings Bank. We anticipate this exciting, forward-thinking change will occur prior to year-end, which should help our Company brand much more effectively and better support our growth objective. We firmly believe that with our positioning over the course of the past year, our Company has high operating leverage which should allow us to enhance our revenue, while controlling our noninterest expense levels— thus, leading to higher earnings and returns over the course of the next twelve to eighteen months. We continue to have very solid credit quality metrics, which should have a positive impact on our earnings for the foreseeable future. In addition, we continue to have very robust capital levels, as evidenced by our overall equity to asset ratio of 9.72%, which will support our vision for growth in the intermediate term. Our Company continues to pay a very solid cash dividend, which totals $0.49 on a trailing twelve month (TTM) basis (including the $0.05 special dividend paid this past December), which produces at TTM Yield of 4.02% as of quarter-end. At this level, our Company's cash dividend yield is significantly higher than that of the average bank in our country. With our recent focus of increasing the operating leverage and revenue of our Company, we firmly believe that we will continue to generate higher levels of net income and reward our shareholders by paying higher dividends and having appreciation in our market value. On a year-over-year basis, the market value of our Company's stock increased by $2.23, or 25%, to a level of $12.20. Even though our market value has diminished somewhat from its year-end level, we believe that we are presently trading at a fair valuation, which is seventeen times earnings. Our number one focus continues to be growing our shareholders' investment in our Company through profitable operations and strategic growth. In addition to driving the market value appreciation of our shareholders' ownership, we will continue striving to reward our owners by paying a solid cash dividend. Overall, we are pleased with the performance of our Company and the direction that we are going. We are extremely optimistic about our future potential and look forward to realizing this upside potential in future periods!

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United Bancorp, Inc.

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

**Condition and Results of Operations**

**Forward-Looking Statements**

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

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

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

**Critical Accounting Policies**

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

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

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United Bancorp, Inc.

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

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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, 2017, gross loans were $357.6 million, compared to $356.7 million at December 31, 2016, an increase of $849,000 after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of a $3.0 million increase in commercial and commercial real estate loans a $996,000 decrease in residential loans and a $1.2 million decrease in installment loans since December 31, 2016.

Commercial and commercial real estate loans comprised 75.3% of total loans at June 30, 2017, compared to 74.6% at December 31, 2016. Commercial and commercial real estate loans have increased $3.0 million, or 1.1% since December 31, 2016. This segment of the loan portfolio includes originated loans in our market areas and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company’s primary market area, but mainly within the states of Ohio and West Virginia.

Installment loans represented 3.7% of total loans at June 30, 2017 and 4.0% at December 31, 2016. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased $1.7 million, or 8.1%, since December 31, 2016. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company’s banking locations.

Residential real estate loans were 21.0% of total loans at June 30, 2017 and 21.4% at December 31, 2016, representing a decrease of $995,000, or 1.3% since December 31, 2016. As of June 30, 2017, the Bank has approximately $5.8 million in fixed-rate loans that have been sold in the secondary market but still serviced by the Company as compared to $6.3 million at December 31, 2016. The level of fixed rate mortgages serviced by the Company will continue to decline as the Company will not retain servicing rights on new sales going forward for these types of products. The Company will continue to service these loans for a fee that is typically 25 basis points. At June 30, 2017, the

Company did not hold any loans for sale.

The allowance for loan losses totaled $2.3 million at June 30, 2017, which represented 0.64% of total loans, and $2.3 million at December 31, 2016, or 0.71% 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 net charge-offs of $99,000 for the six months ended June 30, 2017 $148,000 for the six months ended June 30, 2016.

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**United Bancorp, Inc.**

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***Earning Assets – Securities***

The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of state and political subdivisions and certain other investments. Securities available for sale at June 30, 2017 decreased approximately $874,000 from December 31, 2016 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 $250,000. For the period ended June 30, 2017, total core deposits increased approximately $31.6 million, or 9.4%. The Company's savings accounts decreased $404,000 or 0.5% from December 31, 2016 totals. The Company's interest-bearing and non-interest bearing demand deposits increased $24.2 million or 11.9% while certificates of deposit under $250,000 increased by $7.8 million, or 15.1%. 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 $250,000 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, 2017, certificates of deposit greater than $250,000 decreased $3.5 million or 10.4%, from December 31, 2016 totals.

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

Other interest-bearing liabilities include securities sold under agreements to repurchase and Federal Home Loan Bank ("FHLB") advances. The majority of the Company's repurchase agreements are with local school districts and city and county governments. The Company's short-term borrowings increased approximately $894,000 million from December 31, 2016 totals.

Results of Operations for the Six Months Ended June 30, 2017 and 2016

***Net Income***

For the six months ended June 30, 2017 the Company reported net earnings of $1,766,000, compared to $1,751,000 for the six months ended June 30, 2016. On a per share basis, the Company's diluted earnings were $0.35 for the six months ended June 30, 2017, as compared to $0.35 for the six months ended June 30, 2016.

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**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 increased 5.8%, or $411,000 for the six months ended June 30, 2017 compared to the same period in 2016. As previously mentioned, the strong growth of loans was the driver for the increase in net interest income.

***Provision for Loan Losses***

Year-over-year, the Company maintained very solid credit quality-related metrics by having nonaccrual loans and loans past due 30+ days decrease from a level of $2.81 million to $2.59 million, a decrease of $218,000. Net loans charged-off, excluding overdrafts, was $54,000 through June 30, 2017, which is a decrease of $46,000 from the previous year. At this present level, total past due and nonaccrual loans to gross loans is a very solid 0.72% versus 0.80% the prior year. Net charge offs to average loans was 0.06% for the six months ended June 30, 2017. Overall, with the improvement in credit quality, the Company decreased the provision for loan losses which was $50,000 for the six months ended June 30, 2017 compared to $176,000 for the six months ended June 30, 2016, a decrease of $126,000 or 71.6%.

***Noninterest Income***

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

The Company’s service charges on deposit accounts decreased by $72,000 for the six months ended June 30, 2017 as compared to the same period in 2016.

***Noninterest Expense***

Noninterest expense increased on a year-over-year basis by $306,000 or 4.8%. Our Company is embarking upon a new period, whereby our exclusive focus is to grow our assets in a profitable fashion that will produce consistent and increasing earnings. This vision, which is called Mission 2020, sets the course for our Company to grow its assets to a level of $1.0 billion, or greater, by the end of 2020. In order to achieve this ambitious growth plan, we will need to continue focusing on being operationally efficient, while taking on higher levels of non-interest expense to support an origination platform that will drive the organic growth of our Company. Most of the increase in our noninterest expense levels was related to personnel-related expenses on the production-side, which should lead to our Company realizing higher levels of revenue in the coming quarters.

***Federal Income Taxes***

The provision for federal income taxes was $784,000 for the six months ended June 30, 2017, an increase of $22,000 compared to the same period in 2016. The effective tax rate was 30.7% and 30.3% for the six months ended June 30, 2017 and 2016, respectively.

**United Bancorp, Inc.**

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

**Condition and Results of Operations**

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

***Net Income***

For the three months ended June 30, 2017 the Company reported net earnings of $916,000, compared to $907,000 for the three months ended June 30, 2016. On a per share basis, the Company's diluted earnings were $0.18 for the three months ended June 30, 2017, as compared to $0.18 for the three months ended June 30, 2016.

***Net Interest Income***

Net interest income increased less that 2.5%, or $102,000 for the three months ended June 30, 2017 compared to the same period in 2016. This increase was mainly driven by an increase in loan interest income of $109,000 or 2.9% for the three months ended June 30, 2017 over the same period in 2016.

***Provision for Loan Losses***

The provision for loan losses was $25,000 for the three months ended June 30, 2017, compared to $105,000 for the same period in 2016. 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***

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

The Company's service charges on deposit accounts decreased by $36,000 for the three months ended June 30, 2017 as compared to the same period in 2016. While the number of transaction accounts has not changed much year over year, the volume of service charges decreased related to overdraft fees.

***Noninterest Expense***

Noninterest expense was $3.4 million for the three months ended June 30, 2017, an increase of $114,000, compared to the three months ended June 30, 2016. Salaries and employee benefit expense increased $124,000, or 7.3%, for the three month period ended June 30, 2017, compared to the same period in 2016. As previously mentioned our Company is embarking upon a new period, whereby our exclusive focus is to grow our assets in a profitable fashion that will produce consistent and increasing earnings.

***Federal Income Taxes***

The provision for federal income taxes was $415,000 for the three months ended June 30, 2017, an increase of $26,000 compared to the same period in 2016. The effective tax rate was 31.2% and 30.01% for the three months ended June 30, 2017 and 2016, respectively.

**United Bancorp, Inc.**

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

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***Capital Resources***

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled $43.7 million at June 30, 2017 compared to $42.6 million at December 31, 2016, a $1,012,000 increase. Total stockholders' equity in relation to total assets was 9.73% at June 30, 2017 and 9.73% at December 31, 2016. Our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date.

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

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

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

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

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

| | |
|---|---|
| Common equity tier 1 capital ratio | 11.99% |
| Tier 1 capital ratio | 13.11% |
| Total capital ratio | 13.75% |
| Leverage ratio | 10.63% |

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**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, 2016.

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**United Bancorp, Inc.**

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

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## 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, 2017, 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, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**United Bancorp, Inc.**

**Part II – Other Information**

**ITEM 1. Legal Proceedings**

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

**ITEM 1A. Risk Factors**

There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's Form 10-K for the year ended December 31, 2016, filed on March 20, 2017.

**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 4/1/2016 to 4/30/2016 | — | — | — | — |
| Month #2 5/1/2016 to 5/31/2016 | 3,626 | 12.10 | — | — |
| Month #3 6/1/2016 to 6/30/2016 | — | — | — | — |

The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and Company officers. Under the Plan, directors or other eligible participants may defer fees and up to 50% of their annual incentive award payable to them by the Company, which are used to acquire common shares which are credited to a participant's respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant's account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company's stock. On May 11, 2017, the Plan purchased a total of 3,626 common shares for participant accounts. All purchases under this deferred compensation plan are funded with either earned director fees or officer incentive award payments. No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof.

**ITEM 3. Defaults Upon Senior Securities**

Not applicable.

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**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<br>(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.

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**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 11, 2017 | By: | /s/Scott A. Everson<br>Scott A. Everson<br>President and Chief Executive Officer |
| Date: August 11, 2017 | By: | /s/Randall M. Greenwood<br>Randall M. Greenwood<br>Senior Vice President, Chief Financial Officer and Treasurer |

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**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. |

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