UNITED BANCORP INC /OH/
Form 10-Q
August 12, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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

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

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

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

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

Yes x No ¨

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

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

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

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

Yes ¨ No x

Indicate the number of shares outstanding of the issuer’s classes of common stock as of the latest practicable date: As of August 5, 2011, 5,355,837 shares of the Company’s common stock, $1.00 par value, were issued and outstanding.

ITEM 1. Financial Statements

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

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 5,081	$ 5,006
Interest-bearing demand deposits	7,859	5,929
Cash and cash equivalents	12,940	10,935
Certificates of deposit in other financial institutions	—	2,564
Available-for-sale securities	94,462	96,155
Held-to-maturity securities	4,550	6,331
Loans, net of allowance for loan losses of $2,783 and $2,740 at June 30, 2011 and December 31, 2010, respectively	274,553	276,037
Premises and equipment	10,072	9,278
Federal Home Loan Bank stock	4,810	4,810
Foreclosed assets held for sale, net	2,175	1,912
Intangible assets	483	543
Accrued interest receivable	1,484	1,441
Deferred income taxes	635	801
Bank-owned life insurance	10,682	10,401
Other assets	2,206	2,227
Total assets	$ 419,052	$ 423,435
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 132,866	$ 131,600
Savings	55,307	52,463
Time	137,130	141,383
Total deposits	325,303	325,446
Short-term borrowings	12,320	11,843
Federal Home Loan Bank advances	38,208	43,450
Subordinated debentures	4,000	4,000
Interest payable and other liabilities	2,867	3,115
Total liabilities	382,698	387,854
Stockholders' Equity		
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued	—	—
Common stock, $1 par value; authorized 10,000,000 shares; issued 5,370,304 shares	5,370	5,370
Additional paid-in capital	18,687	20,133
Retained earnings	16,798	15,308
Stock held by deferred compensation plan; 2011 – 185,636 shares, 2010 – 176,392 shares	(1,755)	(1,657)
Unearned ESOP compensation	(2,183)	(2,311)
Accumulated other comprehensive loss	(387)	(707)

Treasury stock, at cost		
2011 – 14,467 shares, 2010 – 45,717 shares	(176)	(555)
Total stockholders' equity	36,354	35,581
Total liabilities and stockholders' equity	$419,052	$ 423,435

See Notes to Condensed Consolidated Financial Statements

3

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest and dividend income				
Loans, including fees	$4,461	$4,354	$8,779	$8,529
Taxable securities	408	652	757	1,461
Non-taxable securities	282	391	584	800
Federal funds sold	5	23	11	34
Dividends on Federal Home Loan Bank stock and other	56	93	119	219
Total interest and dividend income	5,212	5,513	10,250	11,043
Interest expense				
Deposits				
Demand	32	47	65	96
Savings	17	24	34	50
Time	718	1,109	1,445	2,306
Borrowings	453	535	932	1,067
Total interest expense	1,220	1,715	2,476	3,519
Net interest income	3,992	3,798	7,774	7,524
Provision for loan losses	494	370	1,142	730
Net interest income after provision for loan losses	3,498	3,428	6,632	6,794
Noninterest income				
Service charges on deposit accounts	579	625	1,023	1,158
Realized gains on sales of securities	—	—	370	—
Realized gains on sales of loans	13	31	43	44
Realized (losses) gains on sales of foreclosed assets	(5)	2	(5)	(1)
BOLI benefit in excess of surrender value	100	—	100	—
Other income	208	201	428	434
Total noninterest income	895	859	1,959	1,635
Noninterest expense				
Salaries and employee benefits	1,718	1,833	3,471	3,588
Net occupancy and equipment expense	434	422	884	847
Provision for impairment on foreclosed real estate	49	—	49	—
Professional services	242	206	428	394
Insurance	65	26	127	128
Deposit insurance premiums	120	145	207	240
Franchise and other taxes	126	127	244	258
Advertising	61	54	123	147
Stationery and office supplies	55	80	100	139
Amortization of intangible asset	29	28	59	54
Other expenses	574	550	1,075	1,047
Total noninterest expense	3,473	3,471	6,767	6,842
Income before federal income taxes	920	816	1,824	1,587
Federal income taxes	168	115	334	203
Net income	$752	$701	$1,490	$1,384

EARNINGS PER COMMON SHARE				
Basic	$0.15	$0.14	$0.30	$0.28
Diluted	$0.15	$0.14	$0.30	$0.28
DIVIDENDS PER COMMON SHARE	$0.14	$0.14	$0.28	$0.28

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net income	$752	$701	$1,490	$1,384
Other comprehensive income, net of tax:				
Unrealized holding gains on securities during the period, net of taxes of $194, $26, $291 and $373 for each respective period	377	51	564	725
Reclassification adjustment for realized gains included in income, net of taxes of $126 for the six months ended June 30, 2011	—	—	(244)	—
Comprehensive income	$1,129	$752	$1,810	$2,109
Accumulated comprehensive income (loss)	$(387)	$218	$(387)	$218

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2011 and 2010
(In thousands)
(Unaudited)

	2011	2010
Operating Activities		
Net income	$1,490	$1,384
Items not requiring (providing) cash		
Amortization of premiums and discounts on securities, net	(48)	64
Depreciation and amortization	484	399
Amortization of intangible asset	59	54
Expense related to share based compensation plans	90	107
Expense related to ESOP	100	104
Provision for loan losses	1,142	730
Provision for losses on foreclosed real estate	49	—
Increase in value of bank-owned life insurance	(281)	(199)
BOLI benefit in excess of surrender value	(100)	—
Gain on sale of securities	(370)	—
Gain on sale of loans	(43)	(44)
Proceeds from sale of loans	2,732	2,954
Loans originated for sale	(2,689)	(2,910)
Loss on sale of foreclosed assets	5	1
Amortization of mortgage servicing rights	13	14
Net change in accrued interest receivable and other assets	24	(62)
Net change in accrued expenses and other liabilities	(246)	(262)
Net cash provided by operating activities	2,411	2,334
Investing Activities		
Securities available for sale:		
Maturities, prepayments and calls	33,233	46,362
Purchases	(39,540)	(41,197)
Securities held to maturity:		
Maturities, prepayments and calls	1,495	3,424
Proceeds from sale of held-to-maturity securities	302	—
Proceeds from sale of available for sale securities	8,886	—
Net change in loans	54	(11,601)
Net change in certificates of deposit in other financial institutions	2,564	12,500
Purchases of premises and equipment	(1,278)	(154)
Proceeds from sale of foreclosed assets	13	195
Net cash provided by investing activities	5,729	9,529

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Condensed Consolidated Statements of Cash Flows (continued)
For the Six Months Ended June 30, 2011 and 2010
(In thousands)
(Unaudited)

	2011	2010
Financing Activities		
Net change in deposits	$(143)	$(581)
Net change in short-term borrowings	477	936
Net change in long-term borrowings	(5,242)	(377)
Shares purchased for deferred compensation plan	27	60
Proceeds from purchase of shares by Dividend Reinvestment Plan	237	231
Cash dividends paid on common stock	(1,491)	(1,475)
Net cash used in financing activities	(6,135)	(1,206)
Increase in Cash and Cash Equivalents	2,005	10,657
Cash and Cash Equivalents, Beginning of Period	10,935	31,271
Cash and Cash Equivalents, End of Period	$12,940	$41,928
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$2,555	$3,575
Federal income taxes paid	$535	$305
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Transfers from loans to foreclosed assets held for sale	$374	$165
Unrealized gains on securities designated as available for sale, net of related tax effects	$320	$725
Trade date securities purchases	$—	$6,000

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. ("Company") at June 30, 2011, 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, 2010 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 and six months ended June 30, 2011, 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, 2010 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 Company operates in two divisions, The Community Bank, a division of The Citizens Savings Bank and The Citizens Bank, a division of The Citizens Savings Bank. All intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

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

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

The Company's primary deposit products are checking, savings and term certificate accounts and its primary lending products are residential mortgage, commercial and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary and fiscal policies, that are outside of management's control.

Use of Estimates

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

Loans

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

For loans amortized at cost, interest income is accrued 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.

The accrual of interest on mortgage and commercial loans 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. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is 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.

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

The allowance for loan losses is evaluated on a monthly basis by management and the Citizens Board of Directors and is based upon management's periodic review of the collectibility 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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

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 nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risking 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. 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 commercial 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.

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

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period, less shares in the ESOP which are unallocated and not committed to be released and non-vested restricted stock. At June 30, 2011 and 2010, the ESOP held 224,537 and 248,176 unallocated shares, respectively, which were not included in weighted-average common shares outstanding. In addition at June 30, 2011 and 2010, the Company has 170,000 and 180,000 shares, respectively, of non vested restricted stock, which were not included in weighted-average common shares outstanding. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under the Company's stock compensation plans.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Basic				
Net income (In thousands)	$ 752	$ 701	$ 1,490	$ 1,384
Dividends on non-vested restricted stock (In thousands)	(24)	(25)	(48)	(50)
Net earnings allocated to stockholders (In thousands)	$ 728	$ 676	$ 1,442	$ 1,334
Weighted average common shares outstanding	4,759,315	4,677,145	4,752,357	4,671,572
Basic earnings per common share	$ 0.15	$ 0.14	$ 0.30	$ 0.28
Diluted				
Net income allocated to stockholders (In thousands)	$ 728	$ 676	$ 1,442	$ 1,334
Weighted average common shares outstanding for basic earnings per common share	4,759,315	4,677,145	4,752,357	4,671,572
Add: Dilutive effects of assumed exercise of stock options and restricted stock	29,999	17,847	29,999	17,847
Average shares and dilutive potential common shares	4,789,314	4,694,992	4,782,356	4,689,419
Diluted earnings per common share	$ 0.15	$ 0.14	$ 0.30	$ 0.28

Options to purchase 53,714 shares of common stock at a weighted-average exercise price of $10.34 per share were outstanding at both June 30, 2011 and 2010, 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.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

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 2008.

Recent Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2010-20, Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Topic 310), issued on July 21, 2010, concerns improved disclosures regarding the credit quality in a financial institution's loan portfolio. The guidance requires additional disaggregation of the credit portfolio by portfolio segment and class of receivable, a revised roll forward of the allowance for credit losses, presentation of the credit portfolio by credit quality indicators, an aging schedule of past due receivables, disclosure of troubled debt restructurings and purchases and sales of receivables by portfolio segment. The period-end disclosures were effective for periods ending on or after December 15, 2010 (December 31, 2010 for the Company). The activity disclosures are effective for periods beginning on or after December 15, 2010 (January 1, 2011 for the Company). The Company adopted FASB ASU 2010-20 as required, without a material effect on the Company's financial condition or results of operations.

FASB ASU 2011-02, Receivables (Topic 310), A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring, issued in April 2011, amends Subtopic 310-40 to clarify existing guidance related to a creditor's evaluation of whether a restructuring of debt is considered a troubled debt restructuring. The amendments add additional clarity in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties. The updated guidance and related disclosure requirements are effective for financial statements issued for the first interim or annual period beginning on or after June 15, 2011, and should be applied retroactively to the beginning of the annual period of adoption. Early adoption is permitted. Management is currently evaluating the impact of the guidance on the Company's condensed consolidated financial statements.

FASB ASU 2011-03, Transfers and Servicing (Topic 860), Reconsideration of Effective Control for Repurchase Agreements, issued in April 2011, improves the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The updated guidance is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively. Management is currently evaluating the impact of the guidance on the Company's condensed consolidated financial statements.

FASB ASU 2011-04, Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements, issued in May 2011, provides guidance in common fair value measurement and disclosure requirements. The amendment changes the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. The amendments are effective during interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact of the guidance on the Company's condensed consolidated financial statements

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

FASB ASU 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income, issued in June 2011, is designed to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in comprehensive income. The amendments are effective during interim and annual periods beginning after December 15, 2011. Management does not expect adoption of this standard to have a material impact on the Company's condensed consolidated financial statements.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(In thousands)			
Available-for-sale Securities:				
June 30, 2011				
U.S. government agencies	$ 71,494	$ 171	$ (19)	$ 71,646
State and political subdivisions	22,350	470	(20)	22,800
Equity securities	4	12	—	16
	$ 93,848	$ 653	$ (39)	$ 94,462
Available-for-sale Securities:				
December 31, 2010:				
U.S. government agencies	$ 61,908	$ 53	$ (728)	$ 61,233
State and political subdivisions	25,008	315	(28)	25,295
Government sponsored entities mortgage-backed securities	9,105	509	—	9,614
Equity securities	4	9	—	13
	$ 96,025	$ 886	$ (756)	$ 96,155

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
		(In thousands)		
Held-to-maturity Securities:				
June 30, 2011:				
State and political subdivisions	$ 4,550	$ 177	$ —	$ 4,727
December 31, 2010:				
State and political subdivisions	$ 6,331	$ 179	$ —	$ 6,510

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at June 30, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
		(In thousands)		
Within one year	$ —	$ —	$ 110	$ 112
One to five years	9,776	9,862	2,089	2,179
Five to ten years	38,121	38,437	2,351	2,436
After ten years	45,947	46,147	—	—
	93,844	94,446	4,550	4,727
Equity securities	4	16	—	—
Totals	$ 93,848	$ 94,462	$ 4,550	$ 4,727

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $51.7 million and $66.4 million at June 30, 2011 and December 31, 2010, respectively.

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Information with respect to sales of securities and resulting gross realized gains and losses was as follows:

	Six months ended March 31, 2011	2010
	(In thousands)	
Proceeds from sale	$ 9,188	$ —
Gross gains	370	—
Gross losses	—	—

During the six months ended June 30, 2011 the Company sold one security with an amortized cost of $295,000 resulting in a realized gain of approximately $7,000 and is included in the table above under gross gains. This security was classified on the books as “held to maturity” and was sold due to a credit quality down grade of the municipality issuer.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at June 30, 2011 and December 31, 2010, was $11.7 million and $35.7 million, which represented approximately 12% and 35%, respectively, of the Company’s available-for-sale and held-to-maturity investment portfolio.

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

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

The following tables show the Company’s investments’ gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2011 and December 31, 2010:

June 30, 2011						
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ 11,414	$ (19)	$ —	$ —	$ 11,414	$ (19)
State and political subdivisions	320	(20)	—	—	320	(20)

Total temporarily impaired securities	$ 11,734	$ (39)	$ —	$ —	$ 11,734	$ (39)

15

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

December 31, 2010						
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ 33,215	$ (728)	$ —	$ —	$ 33,215	$ (728)
State and political subdivisions	2,484	(28)	—	—	2,484	(28)
Total temporarily impaired securities	$ 35,699	$ (756)	$ —	$ —	$ 35,699	$ (756)

The unrealized losses on the Company's investments in U.S. Government agency and municipal securities were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2011 and December 31, 2010.

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	June 30, 2011	December 31, 2010
	(In thousands)	
Commercial loans	$ 33,901	$ 32,153
Commercial real estate	138,729	136,369
Residential real estate	61,401	63,378
Installment loans	43,305	46,877
Total gross loans	277,336	278,777
Less allowance for loan losses	(2,783)	(2,740)
Total loans	$ 274,553	$ 276,037

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

The activity in the allowance for loan losses was as follows:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(In thousands)			
Beginning balance	$ 2,521	$ 2,527	$ 2,740	$ 2,390
Provision for loan losses	494	370	1,142	730
Loans charged-off	(315)	(268)	(1,282)	(579)
Recoveries of previous charge-offs	83	100	183	188
Ending balance	$ 2,783	$ 2,729	$ 2,783	$ 2,729

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

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three and six month periods ended June 30, 2011

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
		(In thousands)				
Allowance for loan losses:						
Balance, April 1, 2011	$370	$ 1,738	$227	$60	$126	$2,521
Provision charged to expense	(160)	333	4	90	227	494
Losses charged off	(55)	(106)	(80)	(74)	—	(315)
Recoveries	4	2	76	1	—	83
Balance, June 30, 2011	$159	$ 1,967	$227	$77	$353	$2,783
Balance, January 1, 2011	$561	$ 1,566	$229	$140	$244	$2,740
Provision charged to expense	36	812	135	50	109	1,142
Losses charged off	(443)	(427)	(297)	(115)	—	(1,282)
Recoveries	5	16	160	2	—	183
Balance, June 30, 2011	$159	$ 1,967	$227	$77	$353	$2,783
Ending balance: individually evaluated for impairment	$74	$ 1,619	$—	$17	$—	$1,710
Ending balance: collectively evaluated for impairment	$85	$ 348	$227	$60	$353	$1,073
Loans:						
Ending balance: individually evaluated for impairment	$394	$ 4,744	$—	$150	$—	$5,288
Ending balance: collectively evaluated for impairment	$33,507	$ 133,985	$43,305	$61,251	$—	$272,048

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the year ended December 31, 2010

	Commercial	Commercial Real Estate	Installment	Residential	Unallocated	Total
		(In thousands)				
Allowance for loan losses:						
Balance, beginning of year	$ 890	$ 999	$ 251	$ 100	$ 150	$ 2,390
Provision charged to expense	(110)	1,339	296	197	94	1,816
Losses charged off	(256)	(775)	(579)	(160)	—	(1,770)
Recoveries	37	3	261	3	—	304
Balance, end of year	$ 561	$ 1,566	$ 229	$ 140	$ 244	$ 2,740
Ending balance: individually evaluated for impairment	$ 486	$ 1,226	$—	$ 60	$—	$ 1,772
Ending balance: collectively evaluated for impairment	$ 75	$ 340	$ 229	$ 80	$ 244	$ 968
Loans:						
Ending balance: individually evaluated for impairment	$ 1,184	$ 5,852	$—	$ 238	$—	$ 7,274
Ending balance: collectively evaluated for impairment	$ 30,969	$ 130,517	$ 46,877	$ 63,140	$—	$ 271,503

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

The following tables show the portfolio quality indicators. For purposes of monitoring the credit quality and risk characteristics of its loan portfolio, the Company utilizes the following types of loans: commercial and commercial real estate, residential and installment.

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

	June 30, 2011			
Loan Class	Commercial	Commercial Real Estate	Residential	Installment
	(In thousands)			
Pass Grade	$ 30,478	$ 125,564	$ 41,501	$ 61,240
Special Mention	302	2,308	618	6
Substandard	2,236	7,806	432	16
Doubtful	885	3,051	754	139
	$ 33,901	$ 138,729	$ 43,305	$ 61,401

	December 31, 2010			
Loan Class	Commercial	Commercial Real Estate	Residential	Installment

	(In thousands)			
Pass Grade	$ 28,416	$ 122,795	$ 62,517	$ 46,877
Special Mention	134	1,141	623	—
Substandard	3,603	12,198	238	—
Doubtful	—	235	—	—
	$ 32,153	$ 136,369	$ 63,378	$ 46,877

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010

Loan Portfolio Aging Analysis
As of June 30, 2011

30-59 Days Past Due and Accruing	60-89 Days Past Due and