UNITED BANCORP INC /OH/
Form 10-Q
November 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 2006

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

Commission File Number: 0-16540

UNITED BANCORP, INC.
(Exact name of registrant as specified in its charter.)

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

201 SOUTH 4TH STREET, MARTINS FERRY, OHIO 43935-0010
(Address of principal executive offices) (Zip Code)

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

NOT APPLICABLE
(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 IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, OR A NON-ACCELERATED FILER. SEE DEFINITION OF "ACCELERATED FILER AND LARGE ACCELERATED FILER" IN RULE 12B-2 OF THE EXCHANGE ACT. (CHECK ONE.)

LARGE ACCELERATED FILER [ ] ACCELERATED FILER [ ] NON-ACCELERATED FILER [X]

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN EXCHANGE ACT RULE 12B-2). YES NO X

INDICATE THE NUMBER OF SHARES OUTSTANDING OF THE ISSUER'S CLASSES OF COMMON

STOCK AS OF THE LATEST PRACTICABLE DATE.

COMMON STOCK, $1.00 PAR VALUE 4,653,818 SHARES AS OF NOVEMBER 1, 2006

UNITED BANCORP, INC.
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except per share data)

	SEPTEMBER 2006 (Unaudite
ASSETS	
Cash and due from financial institutions	$ 8,858
Interest-bearing deposits in other financial institutions	3,365
Total cash and cash equivalents	12,223
Securities available for sale - at market	133,893
Securities held to maturity - estimated fair value of $16,006 at September 30, 2006 and $20,483 at December 31, 2005	18,822
Total loans	237,066
Allowance for loan losses	(3,474
Loans - net	233,592
Federal Home Loan Bank stock - at cost	4,492
Premises and equipment	7,340
Accrued interest receivable	3,146
Other real estate and repossessions	274
Core deposit and other intangible assets	8
Bank-owned life insurance	8,398
Other assets	3,158
Total assets	$425,346
LIABILITIES AND SHAREHOLDERS' EQUITY	
Demand deposits	
Noninterest-bearing	$ 25,615
Interest-bearing	101,979
Savings deposits	32,775
Time deposits - under $100,000	130,586
Time deposits - $100,000 and over	46,347
Total deposits	337,302
Federal funds purchased	195
Advances from the Federal Home Loan Bank	37,279
Securities sold under agreements to repurchase	7,977
Trade date security purchases	3,089
Subordinated debentures	4,000

Accrued expenses and other liabilities	3,096
Total liabilities	392,938
Commitments	--
Shareholders' equity	
Preferred stock - 2,000,000 shares without par value authorized; no shares issued	--
Common stock - $1 par value; 10,000,000 shares authorized; 4,653,818 and 4,615,111 shares issued at September 30, 2006 and December 31, 2005, respectively	4,654
Additional paid-in capital	27,381
Retained earnings	7,383
Stock held by deferred compensation plan; 89,814 and 83,024 shares at September 30, 2006 and December 31, 2005	(969
Treasury stock - at cost, 71,214 and 27,500 shares at September 30, 2006 and December 31, 2005	(806
Less required contributions for shares acquired by Employee Stock Ownership Plan (ESOP)	(3,417
Accumulated comprehensive loss, unrealized losses on securities designated as available for sale, net of related tax benefits	(1,818
Total shareholders' equity	32,408
Total liabilities and shareholders' equity	$425,346

The accompanying notes are an integral part of these statements.

UNITED BANCORP, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS E SEPTEMBER 3	
	2006	2005	2006	2
	(Unaudited)			
Interest and dividend income				
Loans, including fees	$4,606	$3,991	$13,230	$11
Taxable securities	1,491	1,276	4,301	3
Non-taxable securities	341	330	984	
Federal funds sold	46	1	134	
Dividends on Federal Home Loan Bank stock and other	68	60	207	
Total interest and dividend income	6,552	5,658	18,856	16
Interest expense				
Deposits				
Demand	748	330	1,862	

Savings	31	35	92	
Time	1,829	1,540	5,076	4
Borrowings	777	499	2,341	1
Total interest expense	3,385	2,404	9,371	6
Net interest income	3,167	3,254	9,485	9
Provision for loan losses	652	68	1,056	
Net interest income after provision for loan losses	2,515	3,186	8,429	9
Noninterest income				
Service charges on deposit accounts	350	343	1,024	
Net realized losses on sales of securities	--	(19)	(350)	
Net realized gains on sales of loans	4	4	14	
Other income	345	246	903	
Total noninterest income	699	574	1,591	1
Noninterest expense				
Salaries and employee benefits	1,439	1,339	4,334	4
Occupancy and equipment	299	337	1,016	
Professional services	123	115	454	
Insurance	84	101	255	
Franchise and other taxes	111	105	316	
Advertising	91	94	285	
Stationery and office supplies	86	79	207	
Amortization of intangibles	5	5	14	
Other expenses	535	489	1,622	1
Total noninterest expense	2,773	2,664	8,503	7
Earnings before income taxes	441	1,096	1,517	3
Income tax expense	38	268	125	
Net earnings	$ 403	$ 828	$ 1,392	$ 2
EARNINGS PER COMMON SHARE				
Basic	$ 0.10	$ 0.20	$ 0.33	$
Diluted	$ 0.10	$ 0.20	$ 0.33	$
DIVIDENDS PER COMMON SHARE	$ 0.13	$ 0.12	$ 0.39	$

The accompanying notes are an integral part of these statements.

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UNITED BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MO SEPTE
	2006	2005	2006
		(Unaudited)	
Net earnings	$ 403	$ 828	$ 1,392
Other comprehensive income, net of related tax effects:			
Unrealized holding gains (losses) on securities during the period, net of (taxes) benefits of $(1,039), $162, $(74) and $114 for each respective period	2,016	(314)	143
Reclassification adjustment for realized losses included in earnings, net of tax benefits of $6, $119 and $8 for the three months ended September 30, 2005 and the nine months ended September 30, 2006 and 2005, respectively	--	13	231
Comprehensive income	$ 2,419	$ 527	$ 1,766
Accumulated comprehensive loss	$(1,818)	$(841)	$(1,818

The accompanying notes are an integral part of these statements.

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UNITED BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2006 and 2005
(In thousands)

	2006	2005
	(Unaudited)	
Cash flows from operating activities:		
Net earnings for the period	$ 1,392	$ 2,529
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	465	499
Provision for loan losses	1,056	328
Increase in value of bank-owned life insurance	(212)	(206)
Federal Home Loan Bank stock dividends	(186)	(139)
Net realized losses on sales of securities	350	25
Amortization of securities, net	147	312
Net realized gains on sale of loans	(14)	(16)
Net realized loss on sale of real estate owned	33	1
Amortization of mortgage servicing rights	62	61

Net change in accrued interest receivable and other assets	(1,057)	(1,268)
Net change in accrued expenses and other liabilities	4,301	148
Net cash provided by operating activities	6,337	2,224
Cash flows used in investing activities:		
Securities available for sale:		
Sales	7,729	15,385
Maturities, prepayments and calls	5,479	19,401
Purchases	(29,095)	(18,941)
Securities held to maturity:		
Maturities, prepayments and calls	1,465	315
Purchases	--	(5,991)
Trade date securities purchase	3,985	--
Purchase of bank-owned life insurance	--	(382)
Net change in loans receivable	(5,520)	(15,506)
Purchases of premises and equipment	(195)	(201)
Proceeds from sale of real estate owned	1,020	246
Net cash used in investing activities	(15,132)	(5,674)
Cash flows provided by financing activities:		
Net change in deposits	30,387	14,500
Net change in borrowings	(21,400)	(9,501)
Treasury stock purchases	(478)	(285)
Proceeds from issuance of common stock	322	262
Exercise of stock options, including tax benefits	95	296
Cash dividends paid	(1,785)	(1,516)
Net cash provided by financing activities	7,141	3,756
Net increase (decrease) in cash and cash equivalents	(1,654)	306
Cash and cash equivalents at beginning of period	13,877	7,581
Cash and cash equivalents at end of period	$ 12,223	$ 7,887
Supplemental disclosure of cash flow information:		
Interest paid	$ 9,286	$ 6,462
Federal income taxes paid	$ 573	$ 583
Supplemental disclosure of noncash investing activities:		
Noncash transfer from loans to other real estate and repossessions	$ 98	$ 373
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	$ 143	$ (206)

The accompanying notes are an integral part of these statements.

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine and three months ended September 30, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. ("Company") at September 30, 2006, and its results of operations and cash flows for the nine and three month 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, 2005 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 Company has consistently followed these policies in preparing this Form 10-Q.

1. Principles of Condensed Consolidation

The consolidated financial statements include the accounts of United Bancorp, Inc. ("UNITED" or "the Company") and its wholly-owned subsidiaries, The Citizens Savings Bank of Martins Ferry, Ohio ("CITIZENS") and The Community Bank, Lancaster, Ohio ("COMMUNITY"), (collectively hereinafter "the Banks"). All intercompany transactions and balances have been eliminated in consolidation.

2. 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, and Tuscarawas Counties and the surrounding localities in northeastern, eastern and southeastern Ohio, and include a wide range of individuals, business and other organizations. CITIZENS conducts its business through its main office in Martins Ferry, Ohio and nine branches in Bridgeport, Colerain, Dellroy, Dover, Jewett, New Philadelphia, St. Clairsville, Sherrodsville, and Strasburg Ohio. COMMUNITY conducts its business through its main office in Lancaster, Ohio and six 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. 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 policy, that are outside of management's control.

3. Use of Estimates

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

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine and three months ended September 30, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the year, less shares in the ESOP which are unallocated and not committed to be released. At September 30, 2006, the ESOP held 322,319 unallocated shares 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 option plans. Earnings and dividends per share for the nine and three months ended September 30, 2006 have been restated for the stock split in the form of a dividend declared and distributed in the fourth quarter of 2005.

The components used in the earnings per share computation were as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
BASIC				
Net earnings	$ 403	$ 828	$ 1,392	$ 2,5
Weighted average common shares outstanding	4,160,687	4,243,151	4,172,491	4,227,6
Basic earnings per common share	$ 0.10	$ 0.20	$ 0.33	$ 0.
DILUTED				
Net earnings	$ 403	$ 828	$ 1,392	$ 2,5
Weighted average common shares outstanding for basic earnings per common share	4,160,687	4,243,151	4,172,491	4,227,6
Add: Dilutive effects of assumed exercise of stock options	147	489	503	1,2
Average shares and dilutive potential common shares	4,160,834	4,243,640	4,172,994	4,228,9
Diluted earnings per common share	$ 0.10	$ 0.20	$ 0.33	$ 0.

Number of stock options not considered in computing diluted earnings per share due to antidilutive nature	39,092	39,029	39,092	22,6
Weighted average exercise price of dilutive stock options	$ 10.70	$ 7.49	$ 10.70	$ 10.

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine and three months ended September 30, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Stock Options (continued)

The Company maintains a nonqualified stock option plan for directors and officers. The exercise price for options granted under this plan is no less than 100% of the fair market value of the shares on the date of grant adjusted for stock splits in the form of a dividend.

Effective January 1, 2006, the Company accounts for its stock option plan in accordance with Statement of Financial Accounting Standards, ("SFAS") No. 123(R), "Share-Based Payment." This standard requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The Company elected to use the modified prospective transition method as permitted by SFAS No. 123(R) and therefore has not restated financial results for prior periods. The Company recognizes compensation cost for the portion of awards for which the requisite service period has not been rendered (unvested awards) that are outstanding as of January 1, 2006, as the remaining service is rendered. The after-tax compensation costs under SFAS No. 123(R) totaling $6,000 and $2,000 ($8,000 and $4,000 pretax) for the nine and three months ended September 30, 2006 have been based upon the grant date fair value.

Prior to the adoption of SFAS No. 123(R), the Company presented tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statement of Cash Flows. SFAS No. 123 (R) requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost ("excess tax benefits") be classified as financing cash flows. Tax benefits related to the exercise of stock options totaling $10,000 and $150,000 for the nine months ended September 30, 2006 and 2005 have been classified as financing activities.

Prior to January 1, 2006, the Company accounted for its stock option plan in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits companies to continue to account for stock options and similar equity investments under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continued to account for stock options using APB No. 25 were required to make pro forma disclosures of net earnings and earnings per share as if the fair value-based method of accounting defined is SFAS No. 123 had been applied.

Prior to January 1, 2006, the Company applied APB Opinion No. 25 and related Interpretations in accounting for it stock option plan. Accordingly, no compensation cost has been recognized in 2005 for the plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the accounting method utilized in SFAS No. 123, the Company's net earnings and earnings per share would have been reported at the pro-forma amounts indicated in the table below.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Stock Options (continued)

A summary of the status of the Company's stock option plan for the three and nine months ended September 30, 2005 is presented below:

	THREE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2005
	(Dollars in thousands)	
NET EARNINGS		
As reported	$ 828	$2,529
Stock-based compensation, net of tax	(5)	(15)
Pro-forma	$ 823	$2,514
EARNINGS PER SHARE		
BASIC		
As reported	$ 0.20	$ 0.60
Stock-based compensation, net of tax	(0.01)	--
Pro-forma	$ 0.19	$ 0.60
DILUTED		
As reported	$ 0.20	$ 0.60
Stock-based compensation, net of tax	(0.01)	(0.01)
Pro-forma	$ 0.19	$ 0.59

All share and per share prices have been restated to reflect the stock split in the form of a dividend distributed in 2005. The fair value of each option granted in 2005 was estimated using the Black-Scholes options pricing model with the following assumptions; risk-free interest rate of 4.54%, dividend yield of 4.21% and expected volatility of 30.53%. No stock options were granted in 2006. Any option not exercised within the designated timeframe will be forfeited. All options become immediately exercisable upon retirement, death, or 9 1/2 years after issuance, or in the event of a change in control of the Company.

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk free interest rate is based upon the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based upon historical volatility of the Company's stock.

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine and three months ended September 30, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Stock Options (continued)

There are no remaining options available for grant under the Company's plan as of September 30, 2006. A summary of the status of the Company's stock option plan for the nine months ended September 30, 2006 and 2005 is presented below:

	2006		2005	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
	(Dollars in thousands)			
Outstanding at January 1,	94,609	$ 11.51	112,250	$ 8.47
Granted	--	14.85	11,000	13.50
Exercised	(2,410)	7.56	(77,408)	7.21
Forfeited	(29,027)	11.22	(4,405)	7.21
Outstanding at June 30,	63,172	$ 11.33	41,437	$ 12.32
Options exercisable at period-end	2,737	$ 13.11	6,335	$ 10.71
Weighted-average fair value of options granted during the period		$ --		$ 3.11
Aggregate intrinsic value of vested options		$75,200		$99,530

The following table summarizes information about stock options outstanding at

September 30, 2006:

EXERCISE PRICE	OPTIONS OUTSTANDING AT 9/30/06	DATE OF EXPIRATION	OPTIONS EXERCISABLE AT 9/30/06	REMAINING CONTRACTUAL LIFE
$10.70	24,081	05/15/15	--	8.5 years
11.27	17,050	01/16/15	--	8.3 years
12.82	8,494	12/01/06	2,379	.2 years
13.50	11,000	8/23/14	--	7.7 years
15.02	2,547	07/07/07	358	.75 years

6. Income Taxes

Income tax expense is based on the effective tax rate expected to be applicable for the entire year. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments - an amendment of FASB Statements No. 133 and 140," to simplify and make more consistent the accounting for certain financial instruments. Specifically, SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," to allow a qualifying special purpose entity to hold a derivative instrument that pertains to a beneficial interest other than another derivative financial instrument.

SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Corporation, with earlier application allowed. The Corporation is currently evaluating SFAS No. 155, but does not expect it to have a material effect on the Corporation's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of

Financial Assets - an amendment of SFAS No. 140," to simplify the accounting for separately recognized servicing assets and servicing liabilities. Specifically, SFAS No. 156 amends SFAS No. 140 to require an entity to take the following steps:

- Separately recognize financial assets as servicing assets or servicing liabilities, each time it undertakes an obligation to service a financial asset by entering into certain kinds of servicing contracts;

- Initially measure all separately recognized servicing assets and liabilities at fair value, if practicable, and;

- Separately present servicing assets and liabilities subsequently measured at fair value in the statement of financial position and additional disclosure for all separately recognized servicing assets and servicing liabilities.

Additionally, SFAS No. 156 permits, but does not require, an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. SFAS No. 156 also permits a servicer that uses derivative financial instruments to offset risks on servicing to use fair value measurement when reporting both the derivative financial instrument and related servicing asset or liability.

SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Corporation, with earlier application permitted. The Corporation is currently evaluating SFAS No. 156, but does not expect it to have a material effect on the Corporation's financial position or results of operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Recent Accounting Pronouncements (continued)

In September 2006, the FASB issued SFAS No. 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106 and 132R." The Statement requires recognition of the funded status of postretirement benefit plans in the consolidated statement of financial condition. An employer must recognize an asset or liability in its statement of financial condition for the difference between the fair value of the plan assets and the projected benefit obligations. Changes in the plan's funded status must be recognized, in the year of change, in comprehensive income.

Additionally, the Statement will require entities to measure the funded status of the plan as of the date of the year-end statement of financial condition, with a few exceptions.

The recognition provisions of this Statement are effective for fiscal years ending after December 31, 2006, or January 1, 2007, as to the Company. The Statement is to be applied as of the end of the year adopted. Retrospective application is prohibited.

The provisions that may require an entity to change the plan measurement date are effective for fiscal years ending after December 31, 2008, or January 1, 2009, as to the Company.

Management is currently evaluating the requirements of SFAS No. 158 but does not expect it to have a material effect on its consolidated statement of financial condition and results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued to provide consistency between how registrants quantify financial statement misstatements.

Historically, there have been two widely-used methods for quantifying the effects of financial statement misstatements. These methods are referred to as the "roll-over" and "iron curtain" method. The roll-over method quantifies the amount by which the current year income statement is misstated. Exclusive reliance on an income statement approach can result in the accumulation of errors on the balance sheet that may not have been material to any individual income statement, but which may misstate one or more balance sheet accounts. The iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Exclusive reliance on a balance sheet approach can result in disregarding the effects of errors in the current year income statement that results from the correction of an error existing in previously issued financial statements. We currently use the roll-over method for quantifying identified financial statement misstatements.

SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the company's financial statements and the related financial statement disclosures. This approach is commonly referred to as the "dual approach" because it requires quantification of errors under both the roll-over and iron curtain methods.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Recent Accounting Pronouncements (continued)

SAB 108 allows registrants to initially apply the dual approach either by (1) retroactively adjusting prior financial statements as if the dual approach had always been used, or by (2) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of April 1, 2006, with an offsetting adjustment recorded to the opening balance of retained earnings. Use of this "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose.

Management is currently evaluating the requirements of SAB 108 but does not expect it to have a material adverse effect on the Company's financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." Specifically, FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax provision taken or expected to be taken on a tax return. FIN 48 also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure, and transition of uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006, or April 1, 2007 as to the Company. The Company is currently evaluating the requirements of FIN 48 and has not quantified effects on adoption, if any.

NOTE B - ALLOWANCE FOR LOAN LOSSES

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Beginning balance	$2,840	$3,111	$2,904	$2,995
Provision for loan losses	652	68	1,056	328
Loans charged-off	(95)	(275)	(640)	(562)
Recoveries of previous charge-offs	77	38	154	181
Ending balance	$3,474	$2,942	$3,474	$2,942

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine and three months ended September 30, 2006 and 2005

NOTE B - ALLOWANCE FOR LOAN LOSSES (continued)

Nonperforming loans were as follows:

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
Loans past due over 90 days still accruing	$ 213	$ 417
Nonaccrual loans	$1,299	$1,144

As of September 30, 2006 and 2005, individually impaired loans were not material to the consolidated financial statements.

NOTE C - BENEFIT PLANS

Pension expense includes the following:

	THREE MONTHS ENDED SEPTEMBER 30, 2006	THREE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2006	NINE MONTHS ENDED SEPTEMBER 30, 2005
Service cost	$56	$62	$168	$187
Interest cost	40	38	120	116
Expected return on assets	(43)	(37)	(129)	(113)
Amortization of prior service cost, transition liability and plan amendment	7	14	21	42
Pension expense	$60	$77	$180	$232

During the nine months ended September 30, 2006, there were no recognized gains or losses nor any gains or losses due to settlements or curtailments.

UNITED BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine and three months ended September 30, 2006 and 2005

NOTE D - OFF-BALANCE SHEET ACTIVITIES

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

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

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	(Unaudited)	

	(In thousands)	
Commitments to extend credit	$35,652	$29,617
Credit card and ready reserve lines	1,166	2,028
Standby letters of credit	707	855

UNITED BANCORP, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discusses the financial condition of the Company as of September 30, 2006, as compared to December 31, 2005 and the results of operations for the nine and three months ended September 30, 2006 compared to the same periods in 2005. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

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 Banks' market areas, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Banks' 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 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.

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 judgment.

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, development affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses.

The allowance is regularly reviewed by management 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 each bank's trend in delinquencies and loan losses, and economic factors.

UNITED BANCORP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

CRITICAL ACCOUNTING POLICIES (continued)

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.

ANALYSIS OF FINANCIAL CONDITION

Earning Assets - Loans

At September 30, 2006, gross loans were $237,066,000, compared to $232,011,000 at year-end 2005, an increase of $5,055,000 or 2.2%. The increase in total outstanding loans was the result of an increase in the commercial portfolio. Management attributes the relatively strong increase in commercial loans to the gradual strengthening of the economic environment in the lending markets served.

Installment loans represented 17.9% of total loans at September 30, 2006 compared to 18.9% at December 31, 2005. This indirect lending type of financing carries somewhat more risk than real estate lending, however, it also provides for higher yields. The targeted lending areas encompass four metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's 17 branch locations.

Commercial and commercial real estate loans comprised 58.2% of total loans at September 30, 2006 compared to 56.2% at December 31, 2005. Commercial and commercial real estate loans have increased $5,676,000 or 4.4% since December 31, 2005. The Company has originated 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. The majority of these loans are secured by real estate holdings comprised of hotels, motels and churches located in various geographic locations, including Columbus and the Akron-Canton, Ohio metropolitan areas.

Real estate loans were 23.8% of total loans at September 30, 2006 and 24.9% at year-end 2005. Real estate loans decreased by 2.1% or $1,221,000 since December 31, 2005. Real estate lending for the nine months of 2006 has been extremely slow with respect to the Company's adjustable rate mortgage products. As of September 30, 2006, CITIZENS has $33,968,000 in fixed rate loans that they service for a fee that is typically 25 basis points.

The allowance for loan losses represents the amount which management and the Board of Directors estimates is adequate to provide for probable losses inherent in the loan portfolio. The allowance balance and the provision charged to expense are reviewed by management and the Board of Directors monthly using a risk evaluation model that considers borrowers' past due experience, economic conditions and various other circumstances that are subject to change over time. Management believes the current balance of the allowance for loan losses is adequate to absorb probable incurred credit losses associated with the loan portfolio. Net charge-offs for the nine months ended September 30, 2006 were approximately $486,000, or 16.7%, of the beginning balance in the allowance for loan losses.

ANALYSIS OF FINANCIAL CONDITION (CONTINUED)

Earning Assets - Securities and Federal Funds Sold

The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of states and political subdivisions and certain other investments. The Company does not hold any collateralized mortgage-backed securities other than those issued by U.S. government agencies, or derivative securities. The quality rating of obligations of state and political subdivisions within Ohio is no less than Aaa, Aa or A, with all out-of-state bonds rated at AAA. Board policy permits the purchase of certain non-rated bonds of local schools, townships and municipalities, based on their estimated levels of credit risk. Securities available for sale at September 30, 2006 increased approximately $11,947,000, or 9.8% from year-end 2005 totals. This growth partially reflects deployment of the Company's increased deposits over the 2006 period. Securities held to maturity at September 30, 2006 decreased approximately $1,440,000, or 7.1% compared to year-end 2005 totals.

Sources of Funds - Deposits

The Company's primary source of funds is core deposits from retail and business customers. These core deposits include all categories of interest-bearing and noninterest-bearing deposits, excluding certificates of deposit greater than $100,000. For the period ended September 30, 2006, total core deposits increased approximately $23,163,000, or 8.6%. The Company's interest-bearing demand deposits increased $19,684,000 or 23.9%, noninterest-bearing demand deposits decreased $999,000 or 3.8% while certificates of deposits under $100,000 increased by $9,337,000, or 7.7%. As part of a strategic focus to grow deposits, the Company introduced a new premium rate money market index account with a guaranteed interest rate for 180 days. In addition to paying a premium interest rate, a debit/ATM named the "Freedom Card" is issued with the account. The benefit of the Freedom Card is to allow our customers to use any ATM in the continental United States without a service fee.

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

Certificates of deposit greater than $100,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At September 30, 2006, certificates of deposit greater than $100,000 increased $7,224,000, or 18.5%, from year-end 2005 totals.

Over the past several years, COMMUNITY has developed several large depository customers. As of September 30, 2006, the eight largest depository customers accounted for approximately 31.0% of COMMUNITY'S certificate of deposits and approximately 76.8% of total certificates of deposits greater than $100,000. These customers also represent 11.1% of COMMUNITY'S demand deposits at September 30, 2006. Total concentration of retail funding is approximately 23.3% of COMMUNITY'S total deposits at September 30, 2006. On a consolidated level, this represents approximately 6.8% of total retail deposits at September 30, 2006 compared to 10.0% at December 31, 2005. This deposit concentration does pose possible liquidity and earnings risk for COMMUNITY. The earnings risks would be triggered if COMMUNITY would be placed in a position to sell assets below book value to meet current liquidity needs. This risk is mitigated with COMMUNITY'S capability to borrow wholesale funding from its correspondent banks. Management has an active asset/liability committee that monitors, among other items, monthly liquidity needs on a 90 day time horizon.

ANALYSIS OF FINANCIAL CONDITION (CONTINUED)

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

Other interest-bearing liabilities include securities sold under agreements to repurchase, sweep accounts, federal funds purchased, Treasury, Tax and Loan notes payable and Federal Home Loan Bank ("FHLB") advances. In the first nine months of 2006, the Company continued to utilize the FHLB programs to manage interest rate risk and liquidity positions. The majority of the Company's repurchase agreements are with local school districts and city and county governments. As a result of the Company's growth in deposits in 2006, total borrowings, including federal funds purchased, decreased approximately $21,570,000, or 32.2% from year-end 2005 totals.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

Net Income

Basic and diluted earnings per share for the nine months ended September 30, 2006 totaled $0.33, compared with $0.60 for the nine months ended September 30, 2005. In dollars, the Company's net income decreased by $1,137,000, for the nine months ended September 30, 2006, compared to the same period in 2005.

In March 2006, James W. Everson was appointed President and Chief Executive Officer of COMMUNITY after the affiliate did not meet its 2006 business plan by posting losses in January and February. Management developed three strategic and tactical initiatives in June of 2006 aimed at enhancing future profitability of COMMUNITY. First, the Company took a charge against earnings of approximately $330,000 relative to COMMUNITY's bond portfolio. With our current reinvestment strategy, management anticipates this loss to be recouped in just slightly over two years, while the average life of the bonds sold was approximately four years. Second, a $90,000 charge against earnings was taken to improve the profitability and customer service related to COMMUNITY's ATM and credit card platforms. Finally, an additional $210,000 was charged in loan loss provision expense against earnings to replenish the loan loss reserve account at COMMUNITY for loans charged off during the quarter.

In September, COMMUNITY recorded an additional $550,000 in loan loss provision against earnings, reflecting the charge-off related to a commercial loan. In total, COMMUNITY has recorded additional pre-tax charges against income during 2006 of approximately $1,247,000.

Net Interest Income

Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income decreased 3.1% or $302,000 for the nine months ended September 30, 2006 compared to the same period in 2005.

Total interest income for the nine months ended September 30, 2006 was $18,856,000 compared to $16,326,000 for the same period in 2005. Total interest income increased $2,530,000, or 15.5%. Contributing to the increase is the overall increase in the interest rate environment in 2006.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (CONTINUED)

Net Interest Income (continued)

Total interest expense for the nine months ended September 30, 2006 when compared to the same nine-month period ended September 30, 2005, increased 43.3%, or $2,832,000. The Company has experienced an increase in interest expense due to both the effect of a higher interest rate environment for the first nine months of 2006 as compared to 2005. The increase is also attributable to the increase in interest-bearing liabilities during the nine month period ended September 30, 2006.

Provision for Loan Losses

The total provision for loan losses was $1,056,000 for the nine months ended September 30, 2006 compared to $328,000 for the same period in 2005. At September 30, 2006 the allowance for loan losses to total gross loans was 1.47%

as compared to 1.25% at December 31, 2005. The allowance for loan losses to nonperforming loans was 229.76% at September 30, 2006, compared to 188.47% at December 31, 2005. The increase in loan loss provision for the nine month period ended September 30, 2006 is due primarily to the aforementioned charge-off with a large commercial customer at the COMMUNITY affiliate.

Noninterest Income

Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sale of secondary market loans, 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.

Noninterest income for the nine months ended September 30, 2006 was $1,591,000 compared to $1,729,000 for the same nine-month period ended September 30, 2005, a decrease of approximately 8.0% or $138,000. The decline is fully attributable to a $350,000 realized loss on sale of securities for the nine months ended September 30, 2006, compared to a $25,000 realized loss for the same period in 2005. As stated previously, management's sale strategy in 2006 was largely predicated on a payback period of 2 years based on reinvesting those funds in 4 year bonds at increased interest rates. The Company has also experienced a slow-down in the fixed rate residential mortgage activity, resulting in a decrease in net realized gains on the sale of loans of $2,000 from 2005 to 2006.

Noninterest Expense

Noninterest expense for the nine months ended September 30, 2006 increased $579,000 or 7.3% over the nine months ended September 30, 2005. Salaries and employee benefits costs increased $317,000 or 7.9% mainly due to annual merit increases and higher costs related to the Company's defined benefit plan and medical insurance benefits. Legal fees related to collection and foreclosure proceedings increased $90,000 for the nine months ended September 30, 2005. Other operating expenses increased $106,000 due mainly to the $80,000 charge against other real estate and repossessions at COMMUNITY during the nine months ended September 30, 2006

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

Net Income

Basic and diluted earnings per share for the three months ended September 30, 2006 each totaled $0.10, compared with $0.20, respectively, for the three months ended September 30, 2005. In dollars, the Company's net income decreased by $425,000, or 51.3%, for the three months ended September 30, 2006, compared to the same quarter in 2005. As stated previously, in the 2006 quarter an additional $550,000 was charged to the loan loss provision.

Net Interest Income

Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income decreased 2.7%, or $87,000, for the three months ended September 30, 2006 compared to the same period in 2005 due to continued downward pressure on the net interest margin during the current three month period caused by a continued flattening of the yield curve.

Total interest income for the three months ended September 30, 2006 was $6,552,000 compared to $5,658,000 for the same period in 2005, an increase of $894,000, or 15.8%. The increase can be attributed to the overall growth of the loan portfolio.

Total interest expense for the three months ended September 30, 2006 when compared to the same three-month period ended September 30, 2005, increased by 40.8%, or $981,000. The Company has experienced an increase in interest expense due to growth in interest-bearing liabilities, as well as the effect of a higher interest rate environment in 2006 as compared to 2005.

Provision for Loan Losses

The provision for loan losses was $652,000 for the three months ended September 30, 2006 compared to $68,000 for the same period in 2005. The increase in loan loss provision for the three month period ended September 30, 2006 is due to the aforementioned credit issues with a larger commercial customer.

Noninterest Income

Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sale of secondary market loans, 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.

Noninterest income for the three months ended September 30, 2006 was $699,000 compared to $574,000 for the same three-month period ended September 30, 2005, an increase of approximately 21.8%, or $125,000. During the three-months ended September 30, 2006, the increase in noninterest income was driven by increase in the gain on sale of other real estate owned properties approximately $113,000.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

Noninterest Expense

Noninterest expense for the three months ended September 30, 2006 increased $109,000, or 4.1%, over the three months ended September 30, 2005. Salaries and employee benefits expense increased $100,000 or 7.5% mainly due to annual merit increases and higher costs related to the Company's defined benefit plan and medical insurance benefits.

CAPITAL RESOURCES

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Shareholders' equity at September 30, 2006, totaled $32,408,000 compared to $32,480,000 at December 31, 2005, a 0.2% decrease. Total shareholders' equity in relation to total assets was 7.6% at September 30, 2006 and 7.9% at December 31, 2005. In 2001, our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date.

The Company has 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 multi-bank holding company. The affiliate banks are subject to regulations of the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio, Division of Financial Institutions. The most important of these various regulations address capital adequacy.

The minimums related to such capital requirements are:

	TOTAL CAPITAL TO RISK-WEIGHTED ASSETS	TIER 1 CAPITAL TO RISK-WEIGHTED ASSETS	TIER 1 CAPITAL TO AVERAGE ASSETS
Well capitalized	10.00%	6.00%	5.00%
Adequately capitalized	8.00%	4.00%	4.00%
Undercapitalized	6.00%	3.00%	3.00%

CAPITAL RESOURCES (CONTINUED)

The following table illustrates the Company's well-capitalized classification at September 30, 2006

SEPTEMBER 30, 2006

(Unaudited)
(Dollars in thousands)

Tier 1 capital	$ 38,182
Total risk-based capital	$ 41,282
Risk-weighted assets	$263,644
Average total assets	$416,225
Tier 1 capital to average assets	9.17%
Tier 1 risk-based capital ratio	14.48%
Total risk-based capital ratio	15.66%

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 earnings, 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 generally accepted accounting principles of the United States of America ("GAAP"). 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, impaired loans and other real estate loans that are 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, 2005.

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-15e. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2005 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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 for 10K for the year ended December 31, 2005, filed on March 30, 2006.

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 o Approximate Dolla Value) of Shares (Units) that May Ye Purchased Under the or Programs
Month #1 7/1/2006 to 7/31/2006	0		0	$1,190,025
Month #2 8/1/2006 to 8/31/2006	0		0	$1,190,025
Month #3 9/1/2006 to 9/30/2006	0		0	$1,190,025

United Bancorp maintains a stock repurchase program publicly announced by a press release issued on November 16, 2005, under which its Board of Directors authorized management to cause the Company to purchase up to $2 million of its common shares over a two-year period. Such authorization will expire on November 15, 2007.

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 certain senior executive officers. Under the Plan, eligible participants may defer fees payable to them by the Company, which fees 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 August 30, 2006, the Company allocated a total of 2,017 common shares to participant accounts for the aggregate purchase price of $22,005. 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	
3.1	Amended Articles of Incorporation of United Bancorp, Inc.(1)
3.2	Amended Code of Regulations of United Bancorp, Inc.(2)
4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)

31.1	Rule 13a-14(a) Certification - CEO
31.2	Rule 13a-14(a) Certification - CFO
32.1	Section 1350 Certification - CEO
32.2	Section 1350 Certification - CFO

(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 Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.

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UNITED BANCORP, INC.

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: November 14, 2006

By: /s/ James W. Everson
James W. Everson
Chairman, President &
Chief Executive Officer

Date: November 14, 2006

By: /s/ Randall M. Greenwood
Randall M. Greenwood
Senior Vice President, Chief
Financial Officer and Treasurer

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended Articles of Incorporation of United Bancorp, Inc.

	incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.
3.2	Amended Code of Regulations of United Bancorp, Inc. incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.
4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
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.