

ANNUAL REPORT

UNITED BANCORP INC.



DIVIDEND AND STOCK HISTORY

		D KND DIOCK	
	Cash Dividends Declared (1)	Special Cash Dividends and Stock Dividends	Distribution Date of Dividends and Exchanges
1983	\$ 0.05	-	
1984	\$ 0.06	4 for 1 Exchange ⁽²⁾	January 2, 1984
1985	\$ 0.07	-	-
1986	\$ 0.09	-	-
1987	\$ 0.09	50% Stock Dividend	October 2, 1987
1988	\$ 0.10	-	-
1989	\$ 0.10	-	-
1990	\$ 0.11	-	-
1991	\$ 0.12	-	-
1992	\$ 0.12	100% Stock Dividend	September 10, 1992
1993	\$ 0.12	100% Stock Dividend	November 30, 1993
1994	\$ 0.13	10% Stock Dividend	September 9, 1994
1995	\$ 0.19	-	-
1996	\$ 0.20	10% Stock Dividend	June 20, 1996
1997	\$ 0.23	10% Stock Dividend	September 19, 1997
1998	\$ 0.26	5% Stock Dividend	December 18, 1998
1999	\$ 0.30	5% Stock Dividend	December 20, 1999
2000	\$ 0.31	5% Stock Dividend	December 20, 2000
2001	\$ 0.32	5% Stock Dividend	December 20, 2001
2002	\$ 0.33	5% Stock Dividend	December 20, 2002
2003	\$ 0.35	10% Stock Dividend	December 19, 2003
2004	\$ 0.39	10% Stock Dividend	December 20, 2004
2005	\$ 0.43	10% Stock Dividend	December 20, 2005
2006	\$ 0.48	10% Stock Dividend	December 20, 2006
2007	\$ 0.52	-	-
2008	\$ 0.54	-	-
2009	\$ 0.56	-	-
2010	\$ 0.56	-	-
2011	\$ 0.56	-	_
2012	\$ 0.42	-	-
2013	\$ 0.29	-	_
2014	\$ 0.33	-	-
2015	\$ 0.37	5¢ Per Share Special Dividend	December 29, 2015
2016	\$ 0.42	5¢ Per Share Special Dividend	December 29, 2016

2017 ANTICIPATED DIVIDEND PAYABLE DATES

First Quarter
March 20, 2017

Second Quarter* June 20, 2017

Third Quarter*

September 20, 2017

Fourth Quarter*

December 20, 2017

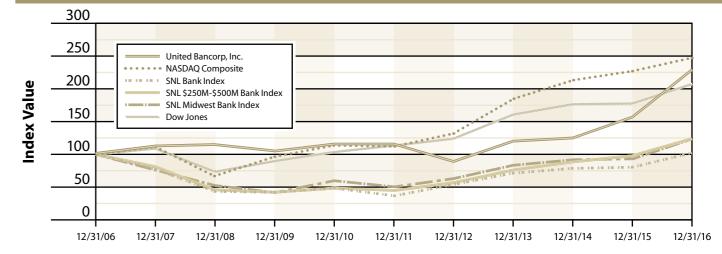
*Subject to action by Board of Directors

- (1) Adjusted for stock dividends and exchanges.

 Does not include dividends from Southern Ohio

 Community Bancorporation, Inc. prior to the
 merger.
- (2) Formation of United Bancorp, Inc. (UBCP). The Citizens Savings Bank shareholders received 4 shares of UBCP stock in exchange for 1 share of The Citizens Savings Bank.

TOTAL RETURN PERFORMANCE



Index	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
United Bancorp, Inc.	100.00	110.45	111.45	101.78	111.15	115.13	89.60	119.77	125.31	156.27	229.72
NASDAQ Composite	100.00	110.55	66.30	96.34	113.70	112.76	132.44	185.57	212.94	227.76	247.96
SNL Bank Index	100.00	77.71	44.34	43.88	49.17	38.08	51.39	70.55	78.87	80.21	101.35
SNL Bank \$250M-\$500M	100.00	81.28	46.42	42.96	48.07	45.15	56.05	76.11	86.85	99.36	124.68
SNL Midwest Bank	100.00	77.94	51.28	43.45	53.96	50.97	61.35	83.99	91.31	92.69	123.85
Dow Jones	100.00	108.88	74.12	90.93	103.72	112.41	123.92	160.67	176.80	177.18	206.40

Decade of Progress

Unaudited

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
		. , ,		. , ,						\$ 16,635,134
										1,783,993
12,441,956	12,085,452		15,290,117	15,187,348	15,504,093	14,601,219	13,992,045		13,799,278	14,851,141
1,384,261	993,505	1,188,270	1,325,052	1,816,012	1,968,021	1,127,634	1,240,847	888,000	552,996	300,830
11,057,695	11,091,947	14,275,655	13,965,065	13,371,336	13,536,072	13,473,585	12,751,198	13,022,933	13,246,282	14,550,311
2,297,373	3,079,567	3,066,769	3,295,030	3,317,126	3,512,340	2,937,420	4,212,273	3,697,486	3,802,215	3,681,318
11,046,170	11,252,758	12,627,590	13,838,651	13,921,806	13,103,041	13,466,431	13,994,647	13,146,050	12,490,093	13,070,759
2,308,898	2,918,755	4,714,834	3,421,444	2,766,656	3,945,371	2,944,574	2,968,824	3,574,369	4,558,407	5,160,870
240,891	333,926	955,700	516,524	219,289	854,447	546,399	356,544	923,074	1,334,078	1,580,291
\$ 2,068,007	\$ 2,584,829	\$ 3,759,134	\$ 2,904,920	\$ 2,547,367	\$ 3,090,924	\$ 2,398,175	\$ 2,612,280	\$ 2,651,295	\$ 3,224,329	\$ 3,580,579
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. ,				, .,		, ,	. , ,		, ,	\$ 438,018,449
, ,										338,803,695
										42,640,882
										354,379,510
										2,341,338
										396,769
132	123	142	136	146	133	134	133	132		123
Seventeen	Seventeen	Twenty	Twenty	Twenty	Twenty	Twenty	Twenty	Nineteen	Eighteen	Eighteen
\$ 0.45	\$ 0.57	\$ 0.82	\$ 0.62	\$ 0.52	\$ 0.63	\$ 0.49	\$ 0.53	\$ 0.54	\$ 0.65	\$ 0.72
•										0.72
						****				0.42
****										8.63
9.36-11.36	9.78-11.39	7.41-10.85	7.00-9.49	7.70-9.90	7.56-9.03	5.89-10.25	6.10-8.60	7.45-8.85	7.81-10.90	8.80-13.50
\$ 2,415,741	\$ 2,435,317	\$ 2,707,438	\$ 2,871,801	\$ 2,959,658	\$ 2,988,155	\$ 2,253,410	\$ 1,555,912	\$ 1,773,699	\$ 1,989,431	\$ 2,269,507
									269,215	271,265
0.50%	0.60%	0.86%	0.63%	0.57%	0.73%	0.55%	0.63%	0.66%	0.79%	0.86%
6.49%	8.12%	11.33%	7.56%	7.05%	8.53%	6.74%	7.02%	6.67%	7.79%	8.40%
	\$ 25,279,212 12,837,256 12,441,956 1,384,261 11,057,695 2,297,373 11,046,170 2,308,898 240,891 \$ 2,068,007 \$ 421,653,341 330,005,480 32,580,485 229,171,793 2,345,419 1,936,046 132 Seventeen \$ 0.45 0.45 0.45 0.48 7.73 9.36-11.36 \$ 2,415,741	\$ 25,279,212 \$ 26,603,043 12,837,256 14,517,591 12,441,956 12,085,452 1,384,261 993,505 11,057,695 11,091,947 2,297,373 3,079,567 11,046,170 11,252,758 2,308,898 2,918,755 240,891 333,926 \$ 2,068,007 \$ 2,584,829 \$ 421,653,341 \$ 451,370,187 330,005,480 330,488,711 32,580,485 33,885,779 229,171,793 232,196,753 2,345,419 2,447,254 1,936,046 891,648 132 123 Seventeen Seventeen \$ 0.45 \$ 0.57 0.45 0.57 0.48 0.52 7.73 7.41 9.36-11.36 9.78-11.39 \$ 2,415,741 \$ 2,435,317	\$ 25,279,212 \$ 26,603,043 \$ 25,715,309 12,837,256 14,517,591 10,251,384 12,441,956 12,085,452 15,463,925 1,384,261 993,505 1,188,270 11,057,695 11,091,947 14,275,655 2,297,373 3,079,567 3,066,769 11,046,170 11,252,758 12,627,590 2,308,898 2,918,755 4,714,834 240,891 333,926 955,700 \$ 2,068,007 \$ 2,584,829 \$ 3,759,134 \$ 421,653,341 \$ 451,370,187 \$ 441,804,491 330,005,480 330,488,711 347,044,549 32,580,485 33,885,779 33,904,759 229,171,793 232,196,753 235,448,307 2,345,419 2,447,254 2,770,360 1,936,046 891,648 865,000 132 123 142 Seventeen Seventeen Twenty \$ 0.45 \$ 0.57 \$ 0.82 0.48 0.52 0.54 7.73 7.41 7.35 9.36-11.36 9.78-11.39 7.41-10.85 \$ 2,415,741 \$ 2,435,317 \$ 2,707,438	2006 2007 2008 2009 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 12,837,256 14,517,591 10,251,384 8,064,768 12,441,956 12,085,452 15,463,925 15,290,117 1,384,261 993,505 1,188,270 1,325,052 11,057,695 11,091,947 14,275,655 13,965,065 2,297,373 3,079,567 3,066,769 3,295,030 11,046,170 11,252,758 12,627,590 13,838,651 2,308,898 2,918,755 4,714,834 3,421,444 240,891 333,926 955,700 516,524 \$ 2,068,007 \$ 2,584,829 \$ 3,759,134 \$ 2,904,920 \$ 421,653,341 \$ 451,370,187 \$ 441,804,491 \$ 445,970,296 330,005,480 330,488,711 347,044,549 344,542,900 32,580,485 33,885,779 33,904,759 35,211,133 229,171,793 232,196,753 235,448,307 255,335,658 2,345,419 2,447,254 2,770,360	2006 2007 2008 2009 2010 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 12,837,256 14,517,591 10,251,384 8,064,768 6,480,008 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 1,384,261 993,505 1,188,270 1,325,052 1,816,012 11,057,695 11,091,947 14,275,655 13,965,065 13,371,336 2,297,373 3,079,567 3,066,769 3,295,030 3,317,126 11,046,170 11,252,758 12,627,590 13,838,651 13,921,606 240,891 333,926 955,700 516,524 219,289 \$ 2,068,007 \$ 2,584,829 \$ 3,759,134 \$ 2,904,920 \$ 2,547,367 \$ 421,653,341 \$ 451,370,187 \$ 441,804,491 \$ 445,970,296 \$ 423,434,966 330,005,480 330,488,711 347,044,549 344,542,900 325,445,996 32,580,485 33,885,779 33,904,759 35,211,133 35,580,582	2006 2007 2008 2009 2010 2011 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 12,837,256 14,517,591 10,251,384 8,064,768 6,480,008 4,707,077 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,093 1,384,261 993,505 1,188,270 1,325,052 1,816,012 1,968,021 11,057,695 11,091,947 14,275,655 13,965,065 13,371,336 13,536,072 2,297,373 3,079,567 3,066,769 3,295,030 3,317,126 3,512,340 11,046,170 11,252,758 12,627,590 13,838,651 13,921,806 13,103,041 2,308,898 2,918,755 4,714,834 3,421,444 2,766,656 3,945,371 \$ 2,068,007 \$ 2,584,829 \$ 3,759,134 \$ 2,904,920 \$ 2,547,367 \$ 3,090,924 \$ 421,653,341 \$ 451,370,187 \$ 441,804,491 \$ 445,970,296 \$ 423,434,966 \$ 415,566,563	2006 2007 2008 2009 2010 2011 2012 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 12,837,256 14,517,591 10,251,384 8,064,768 6,480,008 4,707,077 3,861,046 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,093 14,601,219 11,057,695 11,091,947 14,275,655 13,965,065 13,371,336 13,536,072 13,473,585 2,297,373 3,079,567 3,066,769 3,295,030 3,317,126 3,512,340 2,937,420 11,046,170 11,252,758 12,627,590 13,838,651 13,921,806 13,103,411 13,466,431 2,308,898 2,918,755 4,714,834 3,421,444 2,766,656 3,945,371 2,944,574 2,40,891 333,926 955,700 516,524 219,289 854,447 546,399 \$ 421,653,341 \$ 451,370,187 \$ 441,804,491 \$ 445,970,296 \$ 423,434,966 <td< td=""><td>2006 2007 2008 2009 2010 2011 2012 2013 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 \$ 17,025,223 12,837,256 14,517,591 10,251,384 8,064,768 6,480,008 4,707,077 3,861,046 3,033,178 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,093 14,001,219 13,992,045 1,384,261 993,505 1,188,270 1,325,052 1,816,012 1,968,021 1,127,634 1,249,444 11,057,695 11,091,947 14,275,655 13,965,065 13,371,336 13,536,072 13,473,855 12,751,198 2,297,373 3,097,567 3,066,769 3,295,030 3,317,126 3,512,340 2,937,420 4,212,273 11,046,170 11,252,788 12,627,590 13,838,651 13,921,806 13,103,041 13,466,431 13,994,647 2,308,898 2,918,755 4,714,834 3,421,444 2,766,656 <td< td=""><td>2006 2007 2008 2009 2010 2011 2012 2013 2014 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 \$ 17,025,223 \$ 16,377,445 12,847,256 114,517,591 10,251,384 8,664,768 6,480,008 4,707,077 3,861,046 3,033,178 2,466,512 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,003 14,601,219 13,992,045 13,910,933 1,384,261 993,505 1,188,270 1,225,052 1,816,012 1,968,021 11,127,634 1,240,847 888,000 11,057,695 11,091,947 14,275,655 13,965,605 13,371,336 13,534,002 13,473,585 12,751,198 13,022,2933 2,297373 3,079,567 3,066,769 3,295,030 3,317,126 3,543,402 242,122,73 3,697,466 1,046,170 11,252,758 12,627,590 13,838,651 13,924,606 13,103,041 13,466,431 13,944,647</td><td> \$2,006 \$2,007 \$2,008 \$2,009 \$2,010 \$2,011 \$2,012 \$2,013 \$2,014 \$2,015 \$2,52,79,212 \$2,66,03,043 \$2,5715,309 \$2,3,54,885 \$2,1,667,356 \$2,0,211,170 \$1,8,462,265 \$1,70,25,223 \$1,63,77,445 \$1,60,82,746 \$1,283,7256 \$1,4,517,591 \$10,251,384 \$8,064,768 \$6,80,008 \$4,70,707 \$3,86,1046 \$3,033,178 \$2,465,512 \$2,283,468 \$1,241,956 \$12,084,542 \$15,50,9017 \$1,992,045 \$13,903,303 \$2,465,512 \$2,283,468 \$1,284,261 \$1,935,903 \$1,188,770 \$1,225,952 \$1,816,012 \$1,968,021 \$1,127,634 \$1,240,847 \$88,000 \$52,996 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$1,097</td></td<></td></td<>	2006 2007 2008 2009 2010 2011 2012 2013 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 \$ 17,025,223 12,837,256 14,517,591 10,251,384 8,064,768 6,480,008 4,707,077 3,861,046 3,033,178 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,093 14,001,219 13,992,045 1,384,261 993,505 1,188,270 1,325,052 1,816,012 1,968,021 1,127,634 1,249,444 11,057,695 11,091,947 14,275,655 13,965,065 13,371,336 13,536,072 13,473,855 12,751,198 2,297,373 3,097,567 3,066,769 3,295,030 3,317,126 3,512,340 2,937,420 4,212,273 11,046,170 11,252,788 12,627,590 13,838,651 13,921,806 13,103,041 13,466,431 13,994,647 2,308,898 2,918,755 4,714,834 3,421,444 2,766,656 <td< td=""><td>2006 2007 2008 2009 2010 2011 2012 2013 2014 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 \$ 17,025,223 \$ 16,377,445 12,847,256 114,517,591 10,251,384 8,664,768 6,480,008 4,707,077 3,861,046 3,033,178 2,466,512 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,003 14,601,219 13,992,045 13,910,933 1,384,261 993,505 1,188,270 1,225,052 1,816,012 1,968,021 11,127,634 1,240,847 888,000 11,057,695 11,091,947 14,275,655 13,965,605 13,371,336 13,534,002 13,473,585 12,751,198 13,022,2933 2,297373 3,079,567 3,066,769 3,295,030 3,317,126 3,543,402 242,122,73 3,697,466 1,046,170 11,252,758 12,627,590 13,838,651 13,924,606 13,103,041 13,466,431 13,944,647</td><td> \$2,006 \$2,007 \$2,008 \$2,009 \$2,010 \$2,011 \$2,012 \$2,013 \$2,014 \$2,015 \$2,52,79,212 \$2,66,03,043 \$2,5715,309 \$2,3,54,885 \$2,1,667,356 \$2,0,211,170 \$1,8,462,265 \$1,70,25,223 \$1,63,77,445 \$1,60,82,746 \$1,283,7256 \$1,4,517,591 \$10,251,384 \$8,064,768 \$6,80,008 \$4,70,707 \$3,86,1046 \$3,033,178 \$2,465,512 \$2,283,468 \$1,241,956 \$12,084,542 \$15,50,9017 \$1,992,045 \$13,903,303 \$2,465,512 \$2,283,468 \$1,284,261 \$1,935,903 \$1,188,770 \$1,225,952 \$1,816,012 \$1,968,021 \$1,127,634 \$1,240,847 \$88,000 \$52,996 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$1,097</td></td<>	2006 2007 2008 2009 2010 2011 2012 2013 2014 \$ 25,279,212 \$ 26,603,043 \$ 25,715,309 \$ 23,354,885 \$ 21,667,356 \$ 20,211,170 \$ 18,462,265 \$ 17,025,223 \$ 16,377,445 12,847,256 114,517,591 10,251,384 8,664,768 6,480,008 4,707,077 3,861,046 3,033,178 2,466,512 12,441,956 12,085,452 15,463,925 15,290,117 15,187,348 15,504,003 14,601,219 13,992,045 13,910,933 1,384,261 993,505 1,188,270 1,225,052 1,816,012 1,968,021 11,127,634 1,240,847 888,000 11,057,695 11,091,947 14,275,655 13,965,605 13,371,336 13,534,002 13,473,585 12,751,198 13,022,2933 2,297373 3,079,567 3,066,769 3,295,030 3,317,126 3,543,402 242,122,73 3,697,466 1,046,170 11,252,758 12,627,590 13,838,651 13,924,606 13,103,041 13,466,431 13,944,647	\$2,006 \$2,007 \$2,008 \$2,009 \$2,010 \$2,011 \$2,012 \$2,013 \$2,014 \$2,015 \$2,52,79,212 \$2,66,03,043 \$2,5715,309 \$2,3,54,885 \$2,1,667,356 \$2,0,211,170 \$1,8,462,265 \$1,70,25,223 \$1,63,77,445 \$1,60,82,746 \$1,283,7256 \$1,4,517,591 \$10,251,384 \$8,064,768 \$6,80,008 \$4,70,707 \$3,86,1046 \$3,033,178 \$2,465,512 \$2,283,468 \$1,241,956 \$12,084,542 \$15,50,9017 \$1,992,045 \$13,903,303 \$2,465,512 \$2,283,468 \$1,284,261 \$1,935,903 \$1,188,770 \$1,225,952 \$1,816,012 \$1,968,021 \$1,127,634 \$1,240,847 \$88,000 \$52,996 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$11,097,995 \$1,097



Mission Statement United Bancorp, Inc.



United Bancorp, Inc. is a nationally traded Bank holding company whose mission is to continue earning the respect....

- Of its shareholders, through continued growth in shareholder value by sustaining profitability and acquiring well managed and capitalized businesses in the financial services industry;
- Of its customers, through reaching out with the technology they want and offering the financial products and services they need;
- Of its communities, through support of civic activities that make our communities better places to live and work;
- Of its team members, through training development and career growth opportunities in a comfortable environment with modern equipment;

Although it is recognized there is more competition from non-banking businesses for market share, the general mission of United Bancorp, Inc. is to remain independent. We will accomplish this through an aggressive acquisition program, the management of technological change that will allow us to gain efficiencies and expand our boundaries outside of the typical brick and mortar framework and the placement of new office construction or acquisition when deemed economically feasible.

Adopted by The United Bancorp, Inc., Board of Directors April 20, 2016

A Letter from the President and CEO



To the shareholders of United Bancorp, Inc....

am pleased to report that our company had another successful year, both financially and operationally, in 2016! This past year, we produced net income of \$3.580 million, which was \$356,000, or 11%, higher than the previous year. This level of earnings translated into diluted earnings per share of \$0.71 in 2016, which is an improvement of \$0.07, or 11%, over 2015. As we highlighted in our quarterly earnings releases throughout 2016, the primary reason for this double-digit improvement in earnings is related to our company's growth in its net interest income. In 2016, our company produced net interest income of \$14.851 million, which is \$1.052 million, or 7.6%, greater than the previous year. With our company's continued positive momentum in earnings, our valued shareholders

were rewarded with significant appreciation in the market value of their ownership in our company. This past year, the market value of the common shares of our stock increased by \$3.91 per share or 41%. At year-end, our stock was trading at \$13.50! Our higher level of earnings also contributed to a higher cash dividend being paid out in 2016. During this past year, our shareholders were generously rewarded by receiving a regular cash dividend payment of \$0.42, as compared to \$0.37 in 2015, an increase of \$0.05 or 13.5%. And, once again this past year, our shareholders received a special cash dividend payment of \$0.05 on December 30, 2016 in appreciation of their commitment to and support of our company and its mission. With the optimistic anticipation of continued strong performance and earnings growth for our company in the coming year, it is strongly believed that these positive trends will continue!

Focusing on the performance of United Bancorp, Inc. in 2016, the aforementioned growth in earnings can be primarily attributed to the following factors:

Increasing Net Interest Income: We were able to increase the level of net interest income that we realized year-over-year by \$1.052 million or 7.6%. Helping to facilitate this increase in the level of net interest income realized was our continued focus on growing loans, which led to our company generating a higher level of interest income in 2016. This past year, our company continued to build its loan origination platform, mainly in the area of commercial lending, to generate higher levels of loans outstanding. At year-end, our company's commercial loan portfolio comprised nearly seventy-five percent of the total loan portfolio. Considering that commercial lending is still based on the relationship and not as commoditized as both consumer and mortgage lending, we view commercial lending as the primary vehicle for our future growth in both assets and earnings. Accordingly, the company hired an additional seasoned commercial lender and commercial loan processor at mid-year to further enhance this platform. In addition, our company announced in the third quarter that it opened a Loan Production Office (LPO) in Wheeling, West Virginia, which should capitalize on the strengths of our most recent hires for the commercial lending platform. This LPO is exclusively focused on growing the commercial loan-base of our company and is in a market that our company has served from the "Ohio-side" of the river for many years with some success. We are finding that by having a physical location within the City of Wheeling, we are gaining commercial lending opportunities that we were previously unable to gain when we did not have this physical presence within this promising market. This is an exciting reality for our company as we seek to grow and expand our footprint. For this reason, we are extremely "bullish" on our loan growth prospects in the coming year! In 2016, we had a relatively productive year growing our loan portfolio; increasing our loans outstanding by \$27.1 million, or 8.2%, to an overall level of \$356.7 million. Accordingly, the interest income that our company realized for the year increased to \$16.635 million, which was an increase of \$553 thousand or 3.44%. With the Federal Open Market Committee (FOMC) raising the target rate for federal funds at its December meeting, we believe that the yield in our loan portfolio will further stabilize, and potentially increase, in the coming year. Any additional loan volume should contribute to an enhanced level of interest income being realized by our company in 2017!

On the interest expense-side of the margin, our company continued to see a positive return on its strategy of attracting lower-cost funding accounts. Year-over-year, lower-cost funding--- which consists of demand and savings deposits--- increased by \$19.6 million and comprised

A Letter from the President and CEO - Continued

84.3% of total deposits as of December 31, 2016, as compared to 82.2% of total deposits the prior year. This was one factor that helped the company reduce its total interest expense by \$499 thousand, or 21.9%, in 2016. The other factors attributed to helping our company reduce overall interest expense levels this past year were the repricing of the company's \$4.1 million subordinated debenture and the maturity of a \$6.0 million Federal Home Loan Bank Advance. The \$4.1 million subordinated debenture repriced on January 1, 2016, from a fixed rate of 6.25% to an average variable rate of approximately 2.35% at year-end. On a going-forward basis, the pricing of this subordinated debenture is based on three-month LIBOR plus a margin of 1.35%. The \$6.0 million Federal Home Loan Bank Advance matured this past year in May at a rate of 3.28% and was replaced with a short-term borrowing with a current rate at approximately seventy-six basis points. Based on current rates, it is estimated that both of these events will save our company approximately \$311 thousand in interest expense on an annualized basis. In the coming year, we are projecting further increases in the level of net interest income that our company produces, which will support additional growth in our earnings. We expect to achieve this increase in net interest income by continuing to grow loans at an above-peer level and by being able to control our interest expense levels; even though, we are forecasting that the Federal Open Market Committee (FOMC) will increase the target for the federal funds rate two or three times during 2017 and that we will need to pay a slight premium to start bringing in term deposits to fund our anticipated loan growth. Significantly contributing to the projected increase in net interest income in the coming year will be the scheduled repricing of additional Federal Home Loan Bank (FHLB) Advances throughout the year. In 2017, the company has \$20 million in FHLB Advances, with a present average rate of 3.93%, which are set to mature. Giving consideration to the current interest rate environment, the company forecasts that it could save an estimated \$354 thousand in interest expense in the coming year by having these FHLB Advances mature and reprice to floating rate borrowings.

Ultimately, all of the aforementioned items relating to both noninterest income and noninterest expense should have a very positive impact on the level of net interest income realized in the coming year and lead to higher levels of earnings and profitability for our company in 2017.

Slightly Lower Noninterest Income: In 2016, we were able to produce \$3.681 million in noninterest income, which comprised 19.9% of net operating revenue (net interest income and noninterest income). At this level, noninterest income covered 28.2% of the company's noninterest expense or overhead. This is slightly lower than the \$3.802 million in noninterest income generated in the prior year. The decline in the level of noninterest income that the company realized in 2016 is largely related to the decline in service charges on deposit accounts generated this past year. For the year, services charges on deposit accounts were down \$282 thousand, or 9.8%, from the previous year. The company attributes the lower income realized in this area to the substantial debit card fraud that it mostly experienced in the second and third quarters of this past year. In order to mitigate losses relating to debit card fraud, the company implemented very stringent (yet, prudent) security measures which somewhat limited the level of overdraft and interchange income that it realized. With the introduction in the late third quarter of the company's new chip-enabled debit card and My Mobile Money (which is an application that allows our customers to turn off their debit cards when not being utilized and immediately notifies them of any transaction on their debit card), it is believed that the levels of fee-based income in this area should improve on a going-forward basis.

Building for the Future by Increasing Noninterest Expense: As announced in last year's annual report, our company has embarked upon a new period; wherein, our exclusive focus is to grow our assets in a profitable fashion that will produce consistent and increasing earnings. This vision, which is called **Mission 2020**, sets the course for our company to grow its assets to a level of \$1.0 billion (or greater) by the end of 2020. In order to achieve this ambitious goal, we will need to continue focusing on reducing certain noninterest expense areas/items through realignment and process improvement, while taking on higher levels of noninterest expense in areas that will support the platforms that will drive the growth of our company and produce higher levels of revenue.

As mentioned earlier, we made great strides this past year in enhancing our commercial lending platform--- which generates the vast majority of our company's income--- by hiring key commercial lending personnel in the areas of both origination and support and opening a new Loan Production Office (LPO) in the very desirable Wheeling, West Virginia marketplace. In addition, we further enhanced our lending platform by completing, at mid-year, a forward-thinking renovation project of our main office located in Martins Ferry, Ohio, which was outlined in last year's annual report; whereby, we created the operational capacity to support a larger and stronger loan origination function. Also, our company focused this past year on building a mortgage loan origination platform that should help us compete much more effectively with both traditional and non-traditional mortgage lenders. By focusing on improving our mortgage product suite; enhancing our mortgage origination technology to improve efficiency and turnaround; and developing a reward system for our personnel to encourage a stronger commitment to originating a higher volume of mortgage loans, we believe that our company should see a vast improvement in the number of

mortgages originated in the coming year. Obviously, building our loan origination platforms (both commercial and mortgage) has had a cost. Considering that it takes talented people to build solid relationships, most of this increase in noninterest expense this past year occurred in the area of personnel. This past year, our salaries and employee benefits increased by \$628 thousand, or 9.8%, while our overall level of noninterest expense increased by \$581 thousand or 4.7%. But, we strongly feel that there is value at the end of this proverbial rainbow! With the new capacity that our enhanced loan origination platform has created, we firmly believe that our company has high operating leverage and a steep upside for increased earnings! Ultimately, with the loan origination platform that we have developed over the course of the past two years, our company should be able to realistically and comfortably increase its level of loans outstanding by an estimated \$150 million and generate a significantly increased level of mortgages that can be sold in the secondary market. This higher level of loans outstanding and increased volume of lending will help our company become more profitable by generating higher levels of interest and fee-based income. With our perceived high operating leverage, we will be able to accomplish this without taking on an increased level of noninterest expense or overhead; thereby, improving the efficiencies and returns of our company in future periods. In addition to this improved performance, it should also thrust us in the proper direction to achieve our strategic vision of growth established under **Mission 2020**!

Lowering the Loan Loss Provision: Our credit quality remained relatively stable over the course of this past year and is considered to be extremely sound by industry standards. By having very stable and sound credit quality metrics and a very sizable excess reserve, we were able to reduce our provision for loan losses during the year, which helped contribute to our improved earnings in 2016. Nonaccrual loans marginally increased \$317 thousand to a level of \$1.4 million, or 0.38% of total loans, this past year. During the year, our company saw an improvement in loans past due thirty plus days, which decreased by \$410 thousand to a level of \$1.7 million or 0.48% of total loans. Net loans charged off (excluding overdraft balances) were \$281 thousand, or 0.08% of total loans, which was \$99 thousand lower than the previous year. Our company saw a slight decrease in other real estate and repossessions in 2016, as balances decreased by \$22 thousand, or 6.2%, to a very respectable level of \$335 thousand. Lastly, total allowance for loan losses to total loans was 0.66%, which resulted in a total allowance for loan losses to total nonaccrual loans of 172.0% at year-end. With the forecast continuation of very solid credit quality metrics and robust coverage levels, our company anticipates being able to lower its loan loss provision in the coming year, which should provide further support to enhanced earnings in 2017!

Each of these aforementioned factors was critical in allowing our company to grow its earnings at a double-digit pace, once again, in 2016. By keeping a keen focus on these key operational issues, we firmly believe that our company will continue to show improvement in its level of earnings and overall profitability.

We would not be experiencing our current success without the strong leadership and support of our corporate directors, who diligently serve United Bancorp, Inc. I would like to recognize one of our corporate directors who finished his service with our board this past year, Mr. Terry McGhee. Terry became a member of the United Bancorp, Inc. Board of Directors in 2001 and distinctively served our board until tendering his resignation, which became effective on January 1, 2017. I would like to personally thank Terry for his dedicated service to our company. His keen insight and expert guidance added great value to the meetings of our Executive and Compensation Committees and Board of Directors. Terry's extremely competent service to our board of directors will truly be missed! After Mr. McGhee's separation from our corporate board, it was the wisdom of the present board of directors to not replace his open board position. This decision was made to support the growth that is envisioned under **Mission 2020**. Quite simply, our company will not be able to grow to an asset size of one billion dollars or greater by the end of 2020 through organic growth alone. In order to achieve this enhanced level of growth, it is strongly realized that we will need to acquire other community-minded financial service organizations. By having a lower number of directors currently serving on our corporate board, we can effect several acquisitions without growing the number of active directors to a level that could be considered excessive and, potentially, ineffective.

Overall, this past year was another good one for our company as we achieved many of the initiatives established under our strategic plan and produced double-digit earnings growth. We successfully accomplished this level of performance and will continue to have success by:

Continuing to have a keen focus on our Mission 2020 and realize that, in order to achieve the lofty level of growth established within
this vision, we will have to grow at a compounded annual growth rate of twenty-three percent! Although this level of growth
will be very challenging to accomplish--- and, will only be fully pursued if it leads to an acceptable level of profitability and return
for our company--- your board of directors and management team firmly believe that this "stretch-goal" is achievable.



A Letter from the President and CEO - Continued

- Focusing this past year on increasing its operating leverage by continuing to build the infrastructure and hiring key personnel that
 will drive improved earnings on a going-forward basis. With such capacity, the level of organic growth that is needed to support
 Mission 2020 is within our reach.
- Achieving a higher level of organic growth by capitalizing on the perceived strength of the markets that we serve. This "perceived" market-strength is strongly rooted in the oil and gas play that has been developing the past several years within many of the markets that we serve. In 2016, the oil and gas "play" within our marketplaces did diminish somewhat. But, with recovering oil prices, a more fully-developed production infrastructure and the need to produce a return on the leases already established, it is believed that our markets will see increased activity in the oil and gas industry this year, which should lead to more opportunities for our company.
- Benefitting from the anticipated rate increases that may soon be implemented by the Federal Open Market Committee (FOMC). It
 is forecast that the FOMC will increase the target for the federal funds rate three times in the coming year; thus, increasing the
 federal funds rate by an estimated seventy-five basis points. We firmly believe that our company is well positioned to capitalize on
 these anticipated increases!
- Capitalizing on the high levels of capital that we presently maintain. Our company is presently considered to be "well capitalized" by regulatory standards. At this level of capitalization, and with the further enhancement of our capital position through the positive and profitable performance of our company in future periods, we are in a prime position to comfortably leverage our company by growing our earning assets, which should produce higher earnings and returns for our company.
- Having a management team that continues to focus on mastering the nuances related to the "art of acquisition," and actively
 prospecting for ideal candidates to join our United Bancorp, Inc. Family! It is strongly realized by your board of directors and
 management team that acquisition needs to become a "line-of-business" for our company in the coming years if we are to achieve
 the levels of growth that we envision under Mission 2020 and beyond!

I know that we presently have a very solid team serving our company. I also have an extremely high level of confidence that we have the right people on this team to make all of our dreams a reality! Our diligent and innovative team will continue to enhance the appeal of our product offerings and create efficiencies to make our processes more effective, which will help us achieve the level of greatness that we envision and, quite frankly, expect for our company! Perpetually improving the earnings and profitability of our company--- and rewarding our valued shareholders by driving our market value and dividend payout levels--- continues to be our utmost focus. Achieving this level of greatness should be highly rewarding for all of us in the coming years!

As always, we are extremely blessed to have a positive relationship with our shareholders, directors, officers and employees. In this sense, our company continues to be extremely fortunate, and we are thankful that everyone is very supportive. Collectively, we will all greatly benefit from this unified position!

Scott A. Everson

President and Chief Executive Officer

ceo@unitedbancorp.com

February 19, 2017

Certain statements contained herein are not based on historical facts and are "forward-looking statements" within the meaning of Section 21A of the Securities Exchange Act of 1934. Forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will, ""believe," "expect," "estimate," "anticipate, " "continue," or similar terms or variations on those terms, or the negative of these terms. Actual results could differ materially from those set forth in forward-looking statements, due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, and the financial descriptions affecting from the proposite the proposite to the proposition of the propos

changes in the financial and securities markets, including changes with respect to the market value of our financial assets, and the availability of and costs associated with sources of liquidity. The Company undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.





Directors













1 = United Bancorp, Inc.3 = Chairman - United Bancorp Inc.

2 = The Citizens Savings Bank

4 = Chairman - The Citizens Savings Bank

Directors and Officers

DIRECTORS OF UNITED BANCORP, INC.

Scott A. Everson ¹	President & Chief Executive Officer, United Bancorp, Inc.
	Chairman, President & Chief Executive Officer, The Citizens Savings Bank, Martins Ferry, Ohio
Gary W. Glessner ² Certific	ed Public Accountant, Managing Member of Glessner & Associates, PLLC; Managing Member of
G & W Insurance Group, LLC	; Managing Member of Wheeling Coin, LLC; Vice President of Windmill Truckers Center, Inc.;
Vice President of Glessner Er	nterprises, Inc.; Member of Red Stripe & Associates, LLC; Managing Member of GW Rentals, LLC
John M. Hoopingarner ^{1,2,3,4}	Executive Director, Muskingum Watershed Conservancy District, New Philadelphia, Ohio
Richard L. Riesbeck ^{1,2,3,4}	Chairman, United Bancorp, Inc., President, Riesbeck Food Markets, Inc., St. Clairsville, Ohio
James W. Everson	

OFFICERS OF UNITED BANCORP, INC.

Scott A. Everson	President & Chief Executive Officer
Matthew F. Branstetter	Senior Vice President - Chief Operating Officer
Randall M. Greenwood	Senior Vice President, Chief Financial Officer & Treasurer
Elmer K. Leeper	Vice President - Chief Retail Banking Officer
Michael A. Lloyd	Vice President - Chief Information Officer
Chad S. Smith	Vice President - Chief Human Resource Officer
Lisa A. Basinger	

DIRECTORS OF THE CITIZENS SAVINGS BANK, MARTINS FERRY, OHIO

Jonathan C. Clark, Esq	Attorney at Law, Lancaster, Ohio
	President & Chief Executive Officer, United Bancorp, Inc.
	Chairman, President & Chief Executive Officer, The Citizens Savings Bank, Martins Ferry, Ohio
Gary W. Glessner ^{1,2} Cert	tified Public Accountant, Managing Member of Glessner & Associates, PLLC; Managing Member of
G & W Insurance Group, L	LC; Managing Member of Wheeling Coin, LLC; Vice President of Windmill Truckers Center, Inc.,
Vice President of Glessner	Enterprises, Inc.; Member of Red Stripe & Associates, LLC; Managing Member of GW Rentals, LLC
John R. Herzig	President, Toland-Herzig Funeral Homes & Crematory, Strasburg, Ohio
John M. Hoopingarner ^{1,2}	Executive Director, Muskingum Watershed Conservancy District, New Philadelphia, Ohio
Richard L. Riesbeck ^{1,2, +}	
James W Everson	Chairman Emeritus 1969 - 2014

1 = Executive Committee 2 = Audit Committee 3 = Compensation Committee 4 = Nominating and Governance Committee → = Lead Director

Shareholder Information

United Bancorp, Inc.'s (the Company) common stock trades on *The Nasdaq Capital Market* tier of The Nasdaq Stock Market under the symbol UBCP, CUSIP #909911109. At year-end 2016, there were 5,385,304 shares issued, held among approximately 2,000 shareholders of record and in street name. The following table sets forth the quarterly high and low closing prices of the Company's common stock from January 1, 2016 to December 31, 2016 compared to the same periods in 2015 as reported by the NASDAQ.

		2 0 1 6					2 0 1 5				
	_3	1-Mar	30-Jun	30-Sep	31-Dec	3	1-Mar	30-Jun	30-Sep	31-Dec	
Market Price Range											
High (\$)	\$	9.55	10.00	11.30	13.50	\$	8.23	9.01	10.90	9.59	
Low (\$)	\$	8.80	9.02	9.77	10.45	\$	7.99	7.81	7.87	8.15	
Cash Dividends											
Quarter (\$)	\$	0.10	0.10	0.11	0.11	\$	0.09	0.09	0.09	0.10	
Cumulative (\$)	\$	0.10	0.20	0.31	0.42	\$	0.09	0.18	0.27	0.37	
Special Cash Divider	ıds \$	-	_	-	0.05	\$	-	_	-	0.05	

Investor Relations:

A copy of the Company's Annual Report on form 10-K as filed with the SEC, will be furnished free of charge upon written or E-mail request to:

Randall M. Greenwood, CFO United Bancorp, Inc. 201 South 4th Street PO Box 10 Martins Ferry, OH 43935 or cfo@unitedbancorp.com

Dividend Reinvestment and Stock Purchase Plan:

Shareholders may elect to reinvest their dividends in additional shares of United Bancorp, Inc.'s common stock through the Company's Dividend Reinvestment Plan. Shareholders may also invest optional cash payments of up to \$5,000 per month in our common stock at market price. To arrange automatic purchase of shares with quarterly dividend proceeds, please contact:

American Stock Transfer and Trust Company Attn: Dividend Reinvestment 6201 15th Avenue, 3rd Floor Brooklyn, NY 11219 1-800-278-4353

Annual Meeting:

The Annual Meeting of Shareholders will be held at 2:00 p.m., April 19, 2017 at the Corporate Offices in Martins Ferry, Ohio.

Internet:

Please look us up at http://:www.unitedbancorp.com

Independent Auditors:

BKD LLP 312 Walnut Street, Suite 3000 Cincinnati, Ohio 45202 (513) 621-8300

Corporate Offices:

The Citizens Savings Bank Building 201 South 4th Street Martins Ferry, Ohio 43935 Lisa A. Basinger Corporate Secretary (888) 275-5566 (EXT 6113) (740) 633-0445 (EXT 6113) (740) 633-1448 (FAX)

Transfer Agent and Registrar:

For transfers and general correspondence, please contact: American Stock Transfer and Trust Company 6201 15th Avenue, 3rd Floor Brooklyn, NY 11219 1-800-937-5449

Stock Trading:

Raymond James 222 South Riverside Plaza 7th Floor Chicago, Illinois 60606 Lou Coines 800-800-4693

Stifel, Nicolaus & Company Inc. 655 Metro Place South Dublin, Ohio 43017 Steven Jefferis 877-875-9352

The Citizens Bank Profile

A Division of The Citizens Savings Bank

OVER A CENTURY OF SERVICE AT THE CITIZENS SAVINGS BANK

In the year 1902, a group of hometown businessmen in Martins Ferry felt there was room for another bank in the community in addition to the two already established and proceeded to organize. On the 27th of January, 1902, a charter was granted to The German Savings Bank of Martins Ferry, Ohio with authorized capital of \$50,000. Martins Ferry is nestled among the scenic foothills along the Upper Ohio Valley across the river from the greater metropolitan area of Wheeling, West Virginia, 60 miles southwest of Pittsburgh, Pennsylvania and 125 miles east of Columbus, Ohio. The area has a strong network of transportation including easy access to major interstate highway systems, nearby river and railway transportation and within 45 minutes of the Pittsburgh International Airport.

Organization was completed by electing the original Board of Directors: Attorney Edward E. McCombs, John E. Reynolds, Henry H. Rothermund, William M. Lupton, Dr. Joseph W. Darrah, Chris A. Heil, Fred K. Dixon, Thomas J. Ball and Dr. R.H. Wilson. The first officers were Edward E. McCombs, President; John E. Reynolds, Vice President; William C. Bergundthal, Cashier; and William H. Wood, Assistant Cashier. A room in the old Henderson Building located at the alley on Hanover Street between Fourth and Fifth Streets, currently occupied by a local realtor, was rented. A vault and counters were installed and the new Bank opened for business on Saturday, April 26, 1902. This was the beginning of The Citizens Savings

Upon Mr. Bergundthal's death in 1918, Harold H. Riethmiller, who began his banking career at the bank in 1911, was rehired by the Bank as Cashier. He had previously worked for the Bank and had been working for 6 months at the Citizens-Peoples Trust Company in Wheeling. Mr. Riethmiller brought with him an assistant, David W. Thompson,



who upon his death in 1966 was Vice President and Cashier.

In 1936 the Bank suffered a loss with the sudden death of Edward E. McCombs, who had served as President and Attorney for the Bank during the 34 years since its beginning. John E. Reynolds was then elected President with Attorney David H. James as Vice President. Mr. Reynolds served as the bank's second President until his death in 1940, at which time Harold H. Riethmiller was elected President. Upon Harold H. Riethmiller's retirement in January of 1973, James W. Everson, who began his banking career as a student intern with the Bank in 1959, was elected as the Bank's fourth President and Chief Executive Officer.

In May 1999, The Citizens Savings Bank and its affiliate, The Citizens-State Bank then of Strasburg, Ohio were merged into one Bank under the leadership of James W. Everson continuing as Chairman and Harold W. Price as the Bank's fifth President and Chief Executive Officer since its founding in 1902. Harold W. Price served as President and CEO for five months, suffering a fatal heart attack on September 12th, 1999, after which James W. Everson was reappointed Chairman, President and CEO.

Continuing growth and increased

business at The German Savings Bank brought the need for larger quarters, and in 1917, the Bank relocated into a new banking building on the corner of Fourth and Walnut streets where they were located until February 21, 1984 when they moved to their current banking center located one block south at the corner of Fourth and Hickory Street in Martins Ferry. The First World War brought the name 'German' into bad repute, making a change in name necessary. On May 1, 1918, the old German Savings Bank of Martins Ferry, Ohio.

In 1957, a total remodeling of the first level was completed at the Fourth and Walnut location enlarging the banking lobby by taking the adjoining room formerly occupied by the Mear Drug Store. In 1963, the Bank opened a Consumer Loan Office at the Fourth and Walnut Street location by expanding into the space occupied by the former Packer Insurance Agency.

Upon James W. Everson becoming President in January 1973, the Bank began an expanded growth program. The Bank's first branch office was opened on November 18, 1974. A banking center was opened in Colerain, Ohio offering full service banking to that area, including

safe deposit boxes and a modern new home for the Colerain, Ohio Post Office. On June 12, 1978, the Bank opened its second full service branch at the Corner of Howard and DeKalb Streets in Bridgeport, Ohio.

Recognizing the continued growth of the Bank, the Board of Directors authorized the purchase in July 1979 of an .8 acre site formerly occupied by the vacated Central School, one block south on the Corner of Fourth and Hickory Streets, for the purpose of future expansion. A Phase I building program was completed on May 12, 1980 with the opening of a limited-service four-station auto teller with a two-station lobby and large off-street parking facility.

In October of 1982, approval was granted by the State Banking Department and the Federal Deposit Insurance Corporation to relocate the Bank's Main Office to the corner of Fourth and Hickory streets in Martins Ferry and ground was immediately broken for a new banking center. As a result of 5 years of strategic planning, The Citizens Savings Bank introduced a new era of banking to the Ohio Valley on February 21, 1984 with the opening of their new 21,500 square foot headquarters office located at the corner of Fourth and Hickory streets. This new banking center offered state-of-the-art security with high-tech scanning and alarm equipment, and the latest in electronic data processing programs for banking. The new Bank building was designed by the architectural firm of Jack H. Tribbie and Associates of Martins Ferry and was constructed by the Byrum Construction Company of Martins Ferry. The new building was of colonial design in keeping with the Bank's Colerain and Bridgeport offices, with the interior of the Bank tastefully decorated in the Williamsburg period.

On July 3, 1983, the Bank's Board of Directors positioned itself for continued growth by forming United Bancorp, Inc. of Martins Ferry, Ohio, the Citizens Savings Bank holding company. At formation, the shareholders of The Citizens Savings Bank exchanged their stock on a one-for-four basis for shares in United Bancorp, Inc. On December 29, 1986, United Bancorp, Inc. became one of

Ohio's then 21 multi-bank holding companies by acquiring the outstanding shares of stock of the \$12.5 million asset based Citizens-State Bank of Strasburg, Ohio. Under the leadership of James W. Everson as Chairman and Charles E. Allensworth as President and CEO, The Citizens-State Bank then grew from its one office in Strasburg by opening a new banking center at 2909 N. Wooster Avenue in Dover, Ohio in February 1990; the purchase of it's offices in New Philadelphia and Sherrodsville in April 1992; and the purchase of it's Dellroy Office in June 1994. Harold W. Price was appointed President and CEO of The Citizens-State Bank of Strasburg in April 1993. The Citizens Savings Bank of Martins Ferry further expanded into St. Clairsville with an in store location at Riesbeck's Food Market in July 1997 and purchased a full service banking center in Jewett, Ohio in January 1999. United Bancorp entered Northern Athens County in July 1998 when the \$47.8 million asset based Community Bank of Glouster was purchased, expanding United Bancorp, Inc. to a three bank holding company. Today, The Community Bank is headquartered in Lancaster, Ohio with three locations in Lancaster in addition to its two offices in Glouster and offices in Amesville and Nelsonville, Ohio.

As space in the new headquarters became occupied, property across from the new Main Office on the other corner of Fourth and Hickory Streets was acquired in 1993 to support the continued growth. It was renovated into a modern Operations Center now housing the Data and Item Processing Equipment for the affiliate banks of United Bancorp, Inc. and the offices for United Bancorp, Inc.'s Accounting Group. With the introduction of 24 x 7 x 365 Automated Call Center and Internet Banking in 2001, the Accounting and Operations Center was further expanded through the purchase and renovation of the adjoining property formerly known as the Fullerton Bakery Building. Today, the Accounting and Operations Center Building supports the back room operations for the seventeen banking offices of The Citizens Bank and The Community Bank of Lancaster.

On April 21, 1999 the \$74.1 million

asset based Citizens-State Bank of Strasburg was merged into The Citizens Savings Bank. This expanded customer service under the charter of The Citizens Savings Bank to 10 locations in Belmont, Carroll, Harrison and Tuscarawas counties. Harold W. Price, who had served as President and CEO of The Citizens-State Bank of Strasburg was appointed The Citizens Savings Bank's fifth President and CEO with James W. Everson continuing as Chairman, in addition to serving as Chairman of The Community Bank and Chairman, President and CEO of United Bancorp. Everson was reappointed Chairman, President and CEO of The Citizens Savings Bank five months later upon Harold W. Price's sudden death.

In November 2004, the Citizens Bank Board of Directors completed its senior management reorganization plans for the beginning of its second century of service. James W. Everson, will continue as the Bank's Chairman. Furthermore, the Citizens Bank Board of Directors announced the appointment of Scott A. Everson as Director, President and Chief Executive Officer, which became effective on November 1, 2004.

On September 19, 2008, Citizens acquired from the Federal Deposit Insurance Corporation ("FDIC") the deposits of three banking offices of a failed institution in St. Clairsville, Dillonvale and Tiltonsville, Ohio.

In June 2012, the Company's subsidiary The Citizens Savings Bank purchased a full service banking facility from another financial institution on the West side of St. Clairsville in the same development where the Company has been leasing space for its In Store Banking Facility since 1997. The purchase agreement contained a one year "black out" period where the location could not be used as a financial institution. In January 2013, the Company began extensive renovations on the building and the plans called for a complete renovation of the lobby and customer service areas of the bank. In addition, the Company constructed a state of the art Training Center for staff that also offers educational seminars for current and future customers of the bank. At the time of opening in June of 2013, the Company closed its In Store Banking

Facility and now has two full service banking centers including drive thru service and safe boxes in St. Clairsville, one on West side and one on East side of City.

A complete renovation of the main office was completed during the second quarter of 2016. This was the first major renovation of this property since its construction in 1984.

During the mid-part of 2016 the Company further added to its commercial loan origination platform by hiring supplementary origination personnel in addition to opening a new Loan Production Office (LPO) in Wheeling, West Virginia. Having a LPO in this highly desirable, local market will create value for our Company going forward and will help us achieve our strategic plan of expanding our markets.

The growth and success of The Citizens Savings Bank and the United Bancorp, Inc. have been attributed to the association of many dedicated men and women. Having served on the Board of Directors are Edward E. McCombs, 1902-

1936; John E. Reynolds, 1902-1940; Dr. J.W. Darrah, 1902-1937; J.A. Crossley, 1902-1903; William M. Lupton, 1902-1902; F.K. Dixon, 1902-1909; Dr. R.H. Wilson, 1902-1905; C.A. Heil, 1903-1909; David Coss, 1904-1938; L.L. Scheele, 1905-1917; A.T. Selby, 1906-1954; H.H. Rothermund, 1907-1912; Dr. J.G. Parr, 1912-1930; T.E. Pugh, 1920-1953; J.J. Weiskircher, 1925-1942; David H. James, 1925-1963; Dr. C.B. Messerly, 1931-1957; H.H. Riethmiller, 1936-1980; E.M. Nickles, 1938-1968; L.A. Darrah, 1939-1962; R.L. Heslop, 1941-1983; Joseph E. Weiskircher, 1943-1975; Edward M. Selby, 1953-1976; David W. Thompson, 1954-1966; Dr. Charles D. Messerly, 1957-1987; James M. Blackford, 1962-1968; John H. Morgan, 1967-1976; Emil F. Snyder, 1968-1975; James H. Cook, 1976-1986; Paul Ochsenbein, 1978-1991; David W. Totterdale, 1981-1995; Albert W. Lash, 1975-1996; Premo R. Funari, 1976-1997; Donald A. Davison, 1963-1997; Harold W. Price, 1999-1999; John H. Clark, Jr., 1976-2001; Dwain R. Hicks, 1999-2002; and Michael A. Ley, 1999-2002, Michael J.

Arciello 1992 - 2009, Leon F. Favede, O.D., 1981-2012, Herman E. Borkoski, 1987-2012, James W. Everson, 1969-2014, Robin L. Rhodes, 2007-2015, Andrew C. Phillips 2007-2015, Errol C. Sambuco 1996-2015, Samuel J. Jones 2007-2015 and Matthew C. Thomas 1988-2016 and Terry A. McGhee 2001-2017. On April 16, 2014, James W. Everson retired from his position as Chairman of the Board with 55 years of service to the Bank and Scott A. Everson was appointed Chairman, President and CEO of The Citizens Savings Bank.

Today, The Citizens Savings Bank is Martins Ferry's only locally owned financial institution. The general objective of The Citizens Savings Bank as outlined in its Mission Statement which was adopted by its Board of Directors on June 8, 1982 and renewed annually is to remain an independent state-chartered commercial bank and expand its asset base and market share through acquisitions and new branch construction where financially feasible.

The Community Bank Profile

A Division of The Citizens Savings Bank

COMMUNITY was established in August 1945 with corporate offices in downtown Glouster, Ohio, in Athens County. Its founder was L.E. Richardson, a local entrepreneur. At that time, Athens County was booming with the industries of gas, oil and coal mining. COMMUNITY was then known as The Glouster Community Bank. The Bank played a vital role in the region as it developed, earning a reputation for friendliness, quality customer service and responsiveness to the individual financial needs of its customers, as well as the community. More than 25 years later, Richardson turned over the dayto-day management of the bank to his son, L.E. Richardson, Jr., in 1971.

With that foundation, COMMUNITY acquired the First National Bank of Amesville, Ohio in 1976. The Bank's prosperity continued, and, in 1978, a three-lane Auto Bank drive-up facility



was constructed on the west side of Glouster.

In 1984, the Bank created a holding company, Southern Ohio Community Bancorp, Inc., in anticipation of future growth and diversification of products and services.

In 1987, the service area was expanded once again. A modular office in Nelsonville served the village and the surrounding communities. A few years later, on December 6, 1993 a ribbon cutting ceremony was held for a newly constructed Nelsonville office. The brick building, which replaced the mobile bank unit, features four drive-up lanes and a drive-up ATM. Night deposit and safe deposit box services were also introduced to the Nelsonville area.

In 1996, COMMUNITY completed an extensive renovation of its downtown Glouster office, including the addition of a 24-hour access ATM in the vestibule.

In 1998, COMMUNITY became affiliated with United Bancorp, Inc. of Martins Ferry, Ohio, when United Bancorp purchased The Glouster Community Bank and its holding company, Southern Ohio Community Bancorp, Inc.

That acquisition led to COMMUNITY establishing a Loan Production Office (LPO) in 1998 in Lancaster, Ohio. This LPO provided the opportunity for COMMUNITY to build its franchise along the U.S. Route 33 corridor from Athens County through Fairfield County.

Lancaster, the county seat of Fairfield County, is approximately 30 miles southeast of Columbus, Ohio and is considered a bedroom community to Columbus. According to the city's Economic Development Office, Fairfield County is the fourth fastest growing county in Ohio and is ranked among the top six counties for growth potential.

COMMUNITY opened its first Fairfield County banking office in December 1999. The East Main Street Banking Office in Lancaster offers full service banking with extended evening and Saturday hours. The office features a three-lane drive-up, a drive-up ATM and night depository.

In January 2000, COMMUNITY relocated its Main Office from Glouster to downtown Lancaster. This substantial investment significantly strengthened COMMUNITY'S presence in Fairfield

County. Formerly a furniture store, the historic 1919 building was restored to as near the original appearance as possible. The building was further enhanced with a Verdin Company clock. The 435pound timepiece is attached to the southeast corner of the building. The interior of the building was converted from a furniture store to a modern full service banking office. Of special note is the historical mural of Fairfield County landmarks, painted by local stencil artist Cheryl Fey, which graces the main stairway. The renovation added greatly to the city's business district, as the Main Office complements the downtown revitalization that also was completed in 2000.

COMMUNITY'S Auto Bank, located across the street from the Main Office, also was opened in January 2000. The structure is unique to the market, because of its walk-in lobby. It also features a four-lane drive-thru, night depository and automatic teller machine.

In July 2000, COMMUNITY opened its Community Room, also unique to the area. The Community Room has grown quickly into a convenient and frequently used location for meeting of area civic organizations. It is also a popular gallery for local artists to display their talents.

From the rolling hills of Athens County to the bustling commerce of Fairfield County, COMMUNITY continues to play a vital role in the lives of its customers and the region it serves. The Bank not only has built upon its customer base through the years, but upon its reputation for friendliness, quality customer service and responsiveness to the individual financial needs of its customers and the communities it proudly serves.

On July 1, 2007, the Company received regulatory approval for the merger of its wholly owned subsidiaries, The Glouster Community Bank ("Community"), Lancaster, Ohio, and The Citizens Savings Bank ("Citizens"), Martins Ferry, Ohio, under the charter of the latter. The Boards of both Citizens and Community endorsed this consolidation. The Company continues to capitalize on the established branding in the market places of each institution. Community operates under the trade

name "The Community Bank, a Division of The Citizens Savings Bank" and Citizens operates under the trade name "The Citizens Bank, a Division of The Citizens Savings Bank". A key focus of the consolidation involved the centralization of executive authority under Citizens' proven management structure that has been perennially ranked in the upper quartile of all banks in the United States.

Including the Community Board members on the Board of the combined institution was essential for the Company to realize the full potential of the combination. Management was pleased to report on the merger date of July 1st that Samuel J. Jones, Business Owner, Glouster, Ohio; Terry A. McGhee, President and CEO, Westerman, Inc., Bremen, Ohio; Andrew F. Phillips, President and General Manager, Miller Brands of South East Ohio, Glouster, Ohio; Robin L. Rhodes, M.D., Physician, Pediatric Associates of Lancaster, Inc., Lancaster, Ohio; and L.E. "Dick" Richardson, Jr., Retired President, Southern Ohio Community Bancorporation, Inc., Glouster, Ohio accepted the Company's invitation to become members of The Citizens Savings Bank Board of Directors.

On October 31, 2007, the Company completed the "physical consolidation" of its two charters under the management group of The Citizens Savings Bank, resulting in a 22% reduction in staffing at The Community Bank division. Merging all of the Company's bank charters into a single charter and common operating system now allows each banking office to focus on growing the Company's banking franchises by providing the highest level of customer service from a common market basket of products.

In the first quarter of 2015, the Company completed a renovation project on our downtown Glouster, Ohio office that added two drive-thru lanes and an ATM lane onto this office. Being able to close the stand-alone auto bank facility was immediately accretive to earnings by allowing our Compnay to eliminate 2.5 full-time equivalent job positions.

Management's Discussion and Analysis

In the following pages, management presents an analysis of **United Bancorp, Inc.'s** financial condition and results of operations as of and for the year ended December 31, 2016 as compared to prior years. This discussion is designed to provide shareholders with a more comprehensive review of the operating results and financial position than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the Consolidated Financial Statements and related footnotes and the selected financial data included elsewhere in this report.

When used in this discussion or future filings by the Company with the Securities and Exchange Commission, or other public or shareholder communications, or in oral statements made with approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "believe," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including regional and national economic conditions, changes in levels of market interest rates, credit risks of lending activities and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

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, capital resources or operations except as discussed herein. The Company is not aware of any current recommendations by regulatory authorities that would have such effect if implemented.

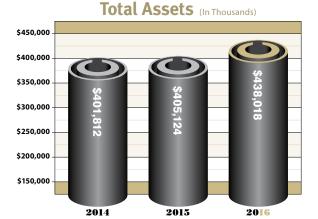
The Company does not undertake, and specifically disclaims, any obligation to publicly release any revisions that may be made to any forward-looking statements to reflect occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Financial Condition

Overview

The Company's earnings generated diluted earnings per share of \$0.71 for the year ended December 31, 2016, as compared to \$0.64 for the year ended December 31, 2015, an increase of 11%. This growth in earnings can be attributed to several factors that are explained below in detail. The Company's diluted earnings per share for the three months ended December 31, 2016, was \$0.18, compared to \$0.17 for the same period last year, an increase of 6%.

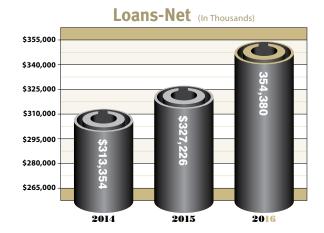
We are very happy to report on the earnings improvement of our Company for the year-ended December 31, 2016. During 2016, the Company's net interest margin increased to a level of 3.83%, as compared to 3.64% for the same period in 2015. This increase in the net interest margin is primarily attributed to the Company experiencing positive organic growth in its loan portfolio, which produced higher levels of interest income, and the continued lowering of its interest expense levels. As of December 31, 2016, the Company had gross loans of \$356.7 million, which is an increase of \$27.1 million, or 8.2%, over December 31, 2015. This is a direct result of the Company's enhanced loan origination platform started in the late second quarter of 2015. Having a higher level of funding invested in quality loans helped drive the increase in the margin. This occurred even though the loan portfolio continued to reprice downward over the course of the past year as the long-end of the yield curve remained at historic low levels through most of



the year. Considering that longer-term Treasury rates (which have a correlation to how the Company's loans reprice) have been priced at relatively the same levels for the past several years, the overall yield in the Company's loan portfolio stabilized during the second half of 2016. The combination of both loan growth and the stabilization of the yield in the Company's loan portfolio should lead to higher levels of interest income being generated in the coming year. With stronger loan growth, the Company's funds management policy changed during 2016. In prior years, the majority of surplus funding was invested in very liquid, lower-yielding excess reserves at the Federal Reserve. During the first quarter of 2016, these excess reserves previously invested in lower-yielding investment alternatives were fully depleted and the Company, for the first time in several years,

switched to a borrowed position to fund its loan growth by utilizing wholesale funding alternatives. While securities and other restricted stock balances increased year-over-year, going forward, it is anticipated that the Company's securities portfolio will be maintained at this present level to support its pledge requirement for public depository accounts until investment yields get to more normalized levels. The Company's credit quality has not changed significantly and has remained strong on a year-over-year basis, as nonaccrual loans marginally increased by \$317,000 to a level of \$1.4 million, which is 0.38% of total loans. Also on a year-over-year basis, loans past due thirty plus days decreased \$410,000 to a level of \$1.7 million. Net loans charged off for the year ended December 31, 2016 were \$281,000, or 0.08% of average loans, as compared to \$380,000, or 0.12% of average loans, for the year ended December 31, 2015. The Company continued to see a decrease in its other real estate and repossessions ("OREO,") as balances decreased by \$23,000, or 6.3%, to a level of \$335,000. Lastly, the overall total allowance for loan losses to total loans was 0.66%, resulting in a total allowance for loan losses to nonperforming loans of 172.0% at December 31, 2016, as compared to 0.74% and 233.5% respectively at December 31, 2015.

On the liability-side of the balance sheet, the Company continued to see a positive return on its strategy of attracting lower-cost funding accounts, while allowing higher-cost funding to run off. Year-over-year, lower-cost funding, consisting of demand and savings deposits, increased by \$19.5 million and comprised 84.3% of total deposits as of December 31, 2016, as compared to 82.2% of total deposits the year prior. This was one factor that helped the Company reduce its total interest expense by \$499,000, or 21.9%, on a year-over-year basis. The other factors that helped the Company reduce its total interest expense levels during 2016 were the previously announced repricing of the Company's \$4.1 million subordinated debenture on January 1, 2016, from a fixed rate of 6.25% to an average variable rate of approximately 2.35% (which is based on three-month LIBOR plus a margin of 1.35%) and a \$6.0 million Federal Home Loan Bank advance that matured in May at a rate of 3.28%, which was replaced with a short-term borrowing with a current rate tied to the federal funds rate at approximately 76 basis points. Both of these events should save the Company approximately \$311,000 in interest expense on an annualized basis. Lastly, noninterest expense levels increased by \$581,000, or 4.7%, during this past year. Part of this increase is attributed to the increase in lending personnel that are driving our Company's solid loan growth. Another large portion of the increase in noninterest expense levels was a result of the previously reported debit card-related fraud losses that primarily occurred during the second and third quarters of 2016. During the third quarter, the Company implemented newer fraud prevention technology relating to



its debit cards that included a chip-enabled debit card and a smart phone app, "My Mobile Money," that significantly curtailed the fraud losses that it realized the remainder of the year. Over the next 12 months, it is projected that our Company's interest expense will be positively impacted by the repricing of \$20 million in fixed-rate advances with the Federal Home Loan Bank ("FHLB") that are set to mature. The average cost of these advances is 3.93% and, given the current interest rate environment, the company should save an estimated \$354,000 in interest expense in the coming year. By continuing to grow our loan portfolio and reducing our overall levels of interest expense, we believe that we will see continued growth in the level of the net interest income that our Company generates. It is projected that this will lead to a higher level of earnings and profitability for our Company in 2017.

This past year, we saw the positive results of the efforts expended in recent years within our Company to gain efficiencies through process improvement, while building and leveraging our loan origination platforms to generate higher levels of revenue. We are pleased with the results that we are seeing and will continue looking for additional opportunities that will help our organization become more operationally efficient, generate higher levels of revenue and produce higher levels of quality earnings. As we previously announced, our Company has embarked upon a new period, whereby our exclusive focus is to grow our assets in a profitable fashion that will produce consistent and increasing earnings. This vision, which is called Mission 2020, sets the course for our Company to grow its assets to a level of \$1.0 billion, or greater, by the end of 2020. In order to achieve this ambitious growth plan, we will need to continue focusing on being operationally efficient, while taking on higher levels of non-interest expense to support a loan origination platform that will drive the organic growth of our Company. It is projected that this enhanced platform, which began being implemented in the late second quarter of last year, will continue to lead to the origination of higher levels of quality loans as seen during the course of 2016. This will help our Company generate higher levels of interest



\$370,000

\$360,000

income, which, in turn, should produce an increase in the allimportant revenue line... net interest income. During the midpart of this year, our Company further added to its commercial loan origination platform by hiring supplementary origination personnel in addition to opening a Loan Production Office (LPO) in Wheeling, West Virginia. Having a LPO in this highly desirable, local market will create value for our Company and help us achieve our strategy of expanding our markets. As previously announced, the Company also envisions expanding its geographic footprint by acquiring other communityminded banking organizations within the tri-state area of Ohio, West Virginia and Pennsylvania, to help it attain the lofty level of growth envisioned under Mission 2020. Being a very well capitalized and profitable Company in today's environment will help us achieve the goals that are defined under this vision within our current strategic plan. With the aforementioned change in our funds management policy during the first half of 2016, our Company is now positioned to attract higher levels of funding, both retail and wholesale, which will allow us to leverage our capital at a more optimal level and produce higher earnings and returns. As of December 31, 2016, our Company has equity to assets of 9.7%, which is considered to be well-capitalized by regulatory standards. At this level of capitalization, our Company will be able to begin the growth trajectory that we envision, which should benefit all of our valued shareholders. In 2016, we paid a regular cash dividend of \$0.42 and a special dividend of \$0.05. This total cash dividend payout of \$0.47 this past year was an increase of \$0.05, or 12%, over the previous year. With our Company's present regular cash dividend of \$0.11, which began being paid in the third quarter of 2016, our forward yield as of year-end is 3.3%. At this level, our Company's cash dividend yield is significantly higher than that of the average bank in our country. With our present focus of increasing our operating leverage by driving the revenue of our Company while containing expenses, we firmly believe that we will continue to reward our shareholders by paying higher dividends and

seeing appreciation in our market value. On a year-over-year basis, the market value of our Company's stock increased by \$3.91, or 41%, to a level of \$13.50. Our number one focus continues to be growing our shareholders' investment in our Company through profitable operations and strategic growth. In addition to driving the market value appreciation of our shareholders' ownership, we will continue striving to reward our owners by paying a solid cash dividend. Overall, we are very pleased with the performance of our Company in 2016 and the direction that we are going. We are extremely optimistic about our future potential and look forward to carrying the earnings momentum that we saw this past year well into the foreseeable future!

Earning Assets – Loans

The Company's gross loans totaled \$356.7 million at December 31, 2016, representing an 8.2% increase over the \$329.7 million at December 31, 2015. Average loans totaled \$318.3 million for 2015, representing a 7.8% increase compared to average loans of \$343.2 million for 2016.

The increase in gross loans from December 31, 2015 to December 31, 2016 was primarily an increase in commercial and commercial real estate loans by \$35.5 million which was offset by a decrease of \$3.1 million in installment loans and a decrease of \$5.3 million in residential real estate.

The Company's commercial and commercial real estate loan portfolio represents 74.6% of the total portfolio at December 31, 2016, compared to 70.0% at December 31, 2015. During this past year, we found many new customers within our lending areas and our focus continues on our small business customers that operate in our defined market area. We utilize all the SBA, Ohio Department of Development and State of Ohio loan programs as well as local revolving loan funds to best fit the needs of our customers.

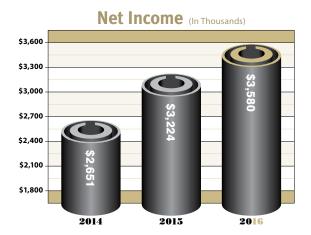
The Company's installment lending portfolio represented 4.0% of the total portfolio at December 31, 2016, compared to 5.3% at December 31, 2015. Competition for installment loans principally comes from the captive finance companies offering low to zero percent financing for extended terms.

The Company's residential real estate portfolio represents 21.4% of the total portfolio at December 31, 2016, compared to 24.7% at December 31, 2015. Residential real estate loans are comprised of 1, 3, and 5 year adjustable-rate mortgages and 15 fixed rated loans used to finance 1-4 family units. Since 2011, the Company has not offered 15 year fixed rate loans. The Company also offers fixed-rate real estate loans through our Secondary Market Real Estate Mortgage Program. Once these

fixed rate loans are originated and immediately sold without recourse in what is referred to as the secondary market, the Company does not assume credit risk or interest rate risk in this portfolio. This arrangement is quite common in banks and saves our customers from looking elsewhere for their home financing needs.

In 2016, the interest rate environment continued to be favorable to the secondary market fixed-rate mortgage loan product. However, the secondary market origination volume was impacted by an issue that has developed in the overall industry related to higher risk sub-prime loans. While the Company did not participate in sub-prime lending, the additional regulations and unstable appraisal market have made it more difficult to obtain a loan that is saleable in the secondary market. With these conditions, the Company did recognize a gain on the sale of secondary market loans of \$97,000 in 2016 and a gain of \$42,000 in 2015.

The allowance for loan losses represents the amount which management and the Board of Directors estimates is adequate to provide for probable incurred losses in the loan portfolio. Accounting for the allowance and the related provision for loan losses is viewed by management as a critical accounting policy. The allowance balance and the annual provision charged to expense are reviewed by management and the Board of Directors on a monthly basis. The allowance calculation is determined by utilizing a risk grading model that considers borrowers' past due experience, coverage ratio to industry averages, economic conditions and various other circumstances that are subject to change over time. In general, the loan loss policy for installment loans requires a charge-off if the loan reaches 120-day delinquent status or if notice of bankruptcy liquidation is received. The Company follows lending policies, with established criteria for determining the repayment capacity of borrowers, requirements for down payments and current market appraisals or other valuations of collateral when loans are originated. Installment lending also utilizes credit scoring to help in the determination of credit quality and pricing.



The Company generally recognizes interest income on the accrual basis, except for certain loans which are placed on non-accrual status, when in the opinion of management; doubt exists as to collection on the loan. The Company's policy is to generally place loans greater than 90 days past due on non-accrual status unless the loan is both well secured and in the process of collection. When a loan is placed on non-accrual status, interest income may be recognized on a cash basis as payment is received if the loan is well secured. If the loan is not deemed well secured, payments are credited to principal.

Management and the Board of Directors believe the current balance of the allowance for loan losses is sufficient to cover probable incurred losses. Refer to the Provision for Loan Losses section for further discussion on the Company's credit quality.

Earning Assets – Securities and Federal Funds Sold

The securities portfolio is comprised of U.S. Government and agency obligations, tax-exempt obligations of states and political subdivisions and certain other investments. The Company does not hold any derivative securities. The quality rating of the majority of the Bank's securities issued by political subdivisions is generally no less than A. Board policy permits the purchase of certain non-rated or lesser rated bonds of local schools, townships and municipalities, based on known levels of credit risk.

Securities available for sale at December 31, 2016 increased \$5.1 million, or 14.9%, from 2015, while the last securities in the held to maturity portfolio were either called or matured in 2015. The Company does not anticipate using the held to maturity designation over the near term. The Company's U.S. Government agency portfolio is subject to increased levels of redemptions due to the call features in this type of investment security. Given the extent of the decrease in overall interest rates, the Company did experience a significant amount of called government agency investment securities during 2016 and 2015. While the Company has plans to reinvest a portion of these funds in other availablefor-sale securities, there is lag between the time when bonds are called and the right investment opportunity is available to the Company. In addition, given the historical low interest rate environment, there is concern on the duration of future purchases in the investment portfolio. In the current rate environment the Company does not anticipate any major changes to its current invest strategy.

Sources of Funds – Deposits

The Company's primary source of funds is retail core deposits from individuals and business customers. These core deposits include all categories of time deposits, excluding certificates of deposit greater than \$250,000. Total deposits increased \$15.2 million or 4.7% from \$323.6 million at December

31, 2015 to \$338.8 at December 31, 2016, total deposit shifted from higher costing certificates of deposit to lower costing transactional and savings accounts.

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

Certificates of deposit greater than \$250,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At December 31, 2016, certificates of deposit greater than \$250,000 increased \$1.5 million, from December 31, 2015 totals.

Alternative financial products are continuously being introduced by our competition whether through traditional banks or brokerage services companies. As a result of this competition, the Company does offer full service brokerage services through LPL Financial[®].

Sources of Funds – Securities Sold Under Agreements to Repurchase and Other Borrowed Funds

Other interest-bearing liabilities include securities sold under agreements to repurchase, and Federal Home Loan Bank ("FHLB") advances. Securities sold under agreements to repurchase increased approximately \$3.7 million from December 31, 2015 to December 31, 2016.

Advances from the Federal Home Loan Bank (FHLB) increased \$13.3 million, or 50.2%, from December 31, 2015 to December 31, 2016. The increase in FHLB advances is a result of the Company growth in loans during 2016. Also the growth is in the short term advances from the FHLB which at present offers a competitive source of funding.

Performance Overview 2016 to 2015

Net Income

The Company reported net income of \$3.6 million in 2016 compared with \$3.2 million for 2015, an increase of \$356,000, or 11.0%. On a per share basis, the Company's diluted earnings per share were \$0.71 for 2016, as compared to \$0.64 for 2015. This earnings performance equates to a 0.86% Return on Average Assets ("ROA") and an 8.40% Return on Average Equity ("ROE") for 2016 compared to 0.79% and 7.73%, for 2015.

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. Comparing the year ended December 31, 2016 to 2015, the Company's net interest margin was 3.83% compared to 3.65%, an increase of 18 basis points

Average interest-earning assets increased \$7.8 million in 2016 as compared to 2015 while the associated weighted-average yield on these interest-earning assets increased from 4.24% in 2015 to 4.29% for 2016. Average interest-bearing liabilities increased \$6.9 million in 2016 as compared to 2015, while the associated weighted-average costs on these interest-bearing liabilities decreased from 0.77% in 2015 to 0.59% in 2016.

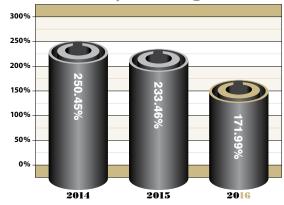
Refer to the sections on Asset and Liability Management and Sensitivity to Market Risks and Average Balances, Net Interest Income and Yields Earned and Rates Paid elsewhere herein for further information.

Provision For Loan Losses

The provision for loan losses is a charge to expense recorded to maintain the related balance sheet allowance for loan losses at an amount considered adequate by Management and the Board of Directors to cover probable incurred losses in the portfolio.

Gross loans were up \$27.1 million year-over-year to a level of \$356.7 million as of December 31, 2016. During this same period, the Company's credit quality remained relatively constant as non-accrual loans were up \$317,000, or 30.4%, to a level of \$1.4 million and net loans charged off were down by \$99,000, or 26.0%, to a level of \$281,000 (exclusive of overdraft charge off). With this overall improvement in credit quality, the Company decreased the provision for loan losses which was \$301,000 for the year ended December 31, 2016 compared to

Total Allowance for Loan Losses to Nonperforming Loans



\$553,000 for the year ended December 31, 2015, a decrease of \$252,000 year-over-year, the provision for losses relating to the Company's Overdraft Privilege Program decreased \$42,000. Overall, the decreased loan loss provision net of loans charged off resulted in a total allowance for loan losses to total loans of 0.66% and a total allowance for loan losses to nonperforming loans of 171.99%, compared to 0.74% and 233.46% at year end 2015. With this continued trend of improving credit quality and coverage, the Company projects a decrease of its provision for loan losses which will have a positive impact on future core earnings.

Noninterest Income

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

Noninterest income for the year ended December 31, 2016 was \$3.7 million, a decrease of \$121,000, or 3.2%, compared to \$3.8 million for the year ended December 31, 2015. The Company's service charges on deposit accounts decreased by \$282,000 for 2016 as compared to 2015.

Noninterest Expense

Noninterest expense for 2016 increased \$581,000, or 4.7%, as compared to 2015.

Salaries and employee benefits increased \$628,000, or 9.8%, from 2015 to 2016. During the mid-part of this year, our Company further added to its commercial loan origination platform by hiring supplementary origination personnel in

addition to opening a Loan Production Office (LPO) in Wheeling, West Virginia. Having a LPO in this highly desirable, local market will create value for our Company and help us achieve our strategy of expanding our markets.

Occupancy and equipment expense decreased \$21,000, or 1.1%. No one single item accounted for this decrease.

Professional fees increased \$41,000, or 6.0%, for 2016 as compared to 2015. This increase is due to increased regulatory costs and legal expenses to open the LPO in Wheeling West Virginia.

The provision for losses on foreclosed real estate was \$6,000 for 2016 as compared to \$60,000 for 2015. With the trend of lower other real estate owned it is anticipated the Company will have lower provision for losses on these properties in the upcoming year.

Marketing expense increased \$24,000, or 8.0%, for 2016 as compared to 2015. Marketing expense increased to promote the new LPO as previously mentioned. Also during 2016 the Company started to promote its retail funding products in an effort to grow core deposits.

Other expenses increased \$90,000 or 4.2%. As a result, fraud losses and card-related reissuance costs of approximately \$208,000 (\$138,000 after tax or approximately \$0.025 per share dilution) were realized during the second quarter of 2016. During the three-months ended September 30, 2016, the Company received an insurance refund on this fraud of \$50,000. Under consumer regulation, the Company bears the financial loss relating to debit card fraud and its customers are made whole on the loss. During the third quarter, the Company

(In thousands)	2016	 2015
Noninterest income		
Customer service fee\$	2,594	\$ 2,876
Gains on sales of loans	97	42
Other income	990	 884
Total noninterest income <u>\$</u>	3,681	\$ 3,802
Noninterest expense		
Salaries and employee benefits\$ Occupancy and equipment	7,021	\$ 6,393
Occupancy and equipment	1,897	1,918
Provision for losses on foreclosed real estate	6	60
Professional services	720	679
Insurance	225	253
Deposit insurance premiums	198	236
Franchise and other taxes	325	287
Marketing expense	324	300
Printing and office supplies	117	142
Amortization of intangibles	-	66
Other expenses	2,238	2,156
Total noninterest expense\$	13.071	\$ 12,490

implemented newer fraud prevention technology relating to its debit cards that included a chip-enabled debit card and a smart phone app, "My Mobile Money," that allows our customers to monitor and control their debit card usage by sending transaction alerts.

Income tax expense for 2016 was \$1.6 million compared to \$1.3 million in 2015, an increase of \$246,000. The Company's effective income tax rate was 30.6% in 2016 and 29.3% in 2015. The Company's effective tax rate is less than the 34% statutory rate due primarily to the effects of nontaxable interest income and earnings on bank owned life insurance policies.

Asset/Liability

Management and Sensitivity to Market Risks

In the environment of changing business cycles, interest rate fluctuations and growing competition, it has become increasingly more difficult for banks to produce adequate earnings on a consistent basis. Although management can anticipate changes in interest rates, it is not possible to reliably predict the magnitude of interest rate changes. As a result, the Company must establish a sound asset/liability management policy, which will minimize exposure to interest rate risk while maintaining an acceptable interest rate spread and insuring adequate liquidity.

The principal goal of asset/liability management – earnings management – can be accomplished by establishing decision processes and control procedures for all bank assets and liabilities. Thus, the full scope of asset/liability management encompasses the entire balance sheet of the Company. The broader principal components of asset/liability management include, but are not limited to liquidity planning, capital planning, and gap management and spread management.

By definition, liquidity is measured by the Company's ability to raise cash at a reasonable cost or with a minimum amount of loss. Liquidity planning is necessary so the Company will be capable of funding all obligations to its customers at all times, from meeting their immediate cash withdrawal requirements to fulfilling their short-term credit needs.

Capital planning is an essential portion of asset/liability management, as capital is a limited Bank resource, which, due to minimum capital requirements, can place possible restraints on Bank growth. Capital planning refers to maintaining capital standards through effective growth management, dividend policies and asset/liability strategies.

Gap is defined as the dollar difference between rate sensitive assets and rate sensitive liabilities with respect to a specified

time frame. A gap has three components – the asset component, the liability component, and the time component. Gap management involves the management of all three components.

Gap management is defined as those actions taken to measure and match rate sensitive assets to rate sensitive liabilities. A rate sensitive asset is any interest-earning asset, which can be repriced to a market rate in a given time frame. Similarly, a rate sensitive liability is any interest-bearing liability, which can have its interest rate changed to a market rate during the specified time period. Caps, collars and prepayment penalties may prevent certain loans and securities from adjusting to the market rate.

A negative gap is created when rate sensitive liabilities exceed rate sensitive assets and conversely a positive gap occurs when rate sensitive assets exceed rate sensitive liabilities. Generally, a negative gap position will cause profits to decline in a rising interest rate environment and cause profits to increase in a falling interest rate environment. Conversely a positive gap will cause profits to decline in a falling interest rate environment and increase is a rising interest rate environment. The Company's goal is to have acceptable profits under any interest rate environment. To avoid volatile profits as a result of interest rate fluctuations, the Company attempts to match interest rate sensitivities, while pricing both the asset and liability components to yield a sufficient interest rate spread so that profits will remain relatively consistent across interest rate cycles.

Management of the income statement is called spread management and is defined as managing investments, loans, and liabilities to achieve an acceptable spread between the Company's return on its earning assets and its cost of funds. Gap management without consideration of interest spread can cause unacceptable low profit margins while assuring that the level of profits is steady. Spread management without consideration of gap positions can cause acceptable profits in some interest rate environments and unacceptable profits in others. A sound asset/liability management program combines gap and spread management into a single cohesive system.

Management measures the Company's interest rate risk by computing estimated changes in net interest income and the Net Portfolio Value ("NPV") of its cash flows from assets, liabilities and off-balance-sheet items in the event of a range of assumed changes in market interest rates. The Bank's senior management and the Executive Committee of the Board of Directors, comprising the Asset/Liability Committee ("ALCO") review the exposure to interest rates monthly. Exposure to

interest rate risk is measured with the use of an interest rate sensitivity analysis to determine the change in NPV in the event of hypothetical changes in interest rates, while interest rate sensitivity gap analysis is used to determine the repricing characteristics of the assets and liabilities.

NPV represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance-sheet items.

Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay rates, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates. The NPV calculation is based on the net present value of discounted cash flows utilizing market prepayment assumptions and market rates of interest provided by surveys performed during each quarterly period, with adjustments made to reflect the shift in the Treasury yield curve between the survey date and guarter-end date. Certain shortcomings are inherent in this method of analysis presented in the computation of estimated NPV. Certain assets such as adjustable-rate loans have features that restrict changes in interest rates on a short-term basis and over the life of the asset. In addition, the portion of adjustable-rate loans in the Company's portfolio could decrease in future periods if market interest rates remain at or decrease below current levels due to refinancing activity. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate from those assumed in the table. Finally, the ability of many borrowers to repay their adjustable-rate debt may decrease in the case of an increase in interest rates.

The following tables present an analysis of the potential sensitivity of the Company's net present value of its financial instruments to sudden and sustained changes in the prevailing interest rates.

The projected volatility of the net present value at both December 31, 2016 and 2015 fall within the general guidelines established by the Board of Directors. The 2016 NPV table shows that in a falling interest rate environment, in the event of a 100 basis point change, the NPV would decrease 12%, and with a 200 basis point change the NPV would decrease 27%. This decrease is the result of fixed rate certificates of deposit and Federal Home Loan Bank advances not repricing in lock step with an immediate downward rate adjustment of 100 and 200 basis points. The other component is that once rates decrease 100 or 200 basis points from current levels we tend to

reach a floor on how low depository rates can adjust downward. In an upward change in interest rates, the Company's NPV would increase 4% with a 100 basis point interest rate increase. In a 200 basis point rate increase, the Company's NPV would increase 5%. This increase is attributable to a portion of the Company's loan portfolios that have variable rates.

(Dollars in Thousands)

Net Portfolio Value - December 31, 2016

Change in Rates	\$ Amount	\$ Change	% Change			
+200	70,162	3,255	5%			
+100	69,310	2,403	4%			
Base	66,907					
-100	59,081	(7,826)	-12%			
-200	48,596	(18,311)	-27%			
(Dollars in Thousands)						

Net Portfolio Value - December 31, 2015

Change in Rates	\$ Amount	\$ Change	% Change
+200	56,848	3,718	7%
+100	55,584	2,454	5%
Base	53,130		
-100	47,218	(5,912)	-11%
-200	40,269	(12,861)	-24%

The following table is a summary of selected quarterly results of operations for the years ended December 31, 2016 and 2015.

	Three Months Ended						
	March 31	June 30	September 30	December 31			
		(In thousands, except p	per share data)				
2016							
Total interest income Total interest expense	\$ 4,038 475	\$ 4,187 437	\$ 4,166 432	\$ 4,244 440			
Net interest income	3,563	3,750	3,734	3,804			
Provision for losses on loans Other income General, administrative and	71 867	105 902	131 1,056	(6) 856			
other expense	3,141	3,251	3,345	3,333			
Income before income taxes Federal income taxes	1,218 373	1,296 389	1,314 386	1,333 432			
Net income	\$ 845	<u>\$ 907</u>	<u>\$ 928</u>	\$ 901			
Earnings per share Basic Diluted	\$ 0.18 \$ 0.17	\$ 0.18 \$ 0.18	\$ 0.18 \$ 0.18	\$ 0.18 \$ 0.18			

2015	March 31	Three Months Ended 31 June 30 September 30 (In thousands, except per share data)		December 31
2015				
Total interest income Total interest expense	\$ 3,859 581	\$ 4,040 582	\$ 4,118 <u>578</u>	\$ 4,065 542
Net interest income	3,278	3,458	3,540	3,523
Provision for losses on loans Other income General, administrative and other expense	116 992 3,184	145 935 3,112	126 987 3,182	166 938 3,062
Income before income taxes Federal income taxes	970 276	1,136 331	1,219 360	1,233 367
Net income	\$ 694	<u>\$ 805</u>	\$ 859	\$ 866
Earnings per share Basic Diluted	\$ 0.14 \$ 0.14	\$ 0.16 \$ 0.16	\$ 0.17 \$ 0.17	\$ 0.18 \$ 0.17

Average Balances, Net Interest Income and Yields Earned and Rates Paid

The following table provides average balance sheet information and reflects the taxable equivalent average yield on interest-earning assets and the average cost of interest-bearing liabilities for the years ended December 31, 2016 and 2015. The yields and costs are calculated by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities.

The average balance of available-for-sale securities is computed using the carrying value of securities while the yield for available for sale securities has been computed using the average amortized cost. Average balances are derived from average month-end balances, which include nonaccruing loans in the loan portfolio, net of the allowance for loan losses. Interest income has been adjusted to tax- equivalent basis.

		2016			2015	
(Dollars In thousands)		Interest			Interest	
	Average	Income/	Yield/	Average	Income/	Yield/
	Balance	Expense	Rate	Balance	Expense	Rate
Assets						
Interest-earning assets						
Loans	•	16,041	4.67%	\$ 318,337	15,346	4.82%
Taxable securities - AFS	31,292	325	1.04	29,427	327	1.11
Tax-exempt securities - AFS	2,003	123	6.13	3,733	225	6.03
Tax-exempt securities - HTM	-	-	-	195	14	6.99
Federal funds sold	8,547	36	0.42	25,523	61	0.24
FHLB stock and other	4,169	<u> </u>	4.20	4,211	212	5.03
Total interest-earning assets	389,254	16,700	4.29	381,426	16,185	4.24
Noninterest-earning assets						
Cash and due from banks	4,972			4,700		
Premises and equipment (net)	11,340			10,422		
Other nonearning assets	13,955			13,437		
Less: allowance for loan losses	(752)			(2,634)		
Total noninterest-earning assets	29,515			25,925		
Total assets	418,769			407,351		
Liabilities & stockholders' equity						
Interest-bearing liabilities						
Demand deposits	123,051	136	0.11%	\$ 118,545	110	0.09%
Savings deposits	78,811	36	0.05	73,819	34	0.05
Time deposits	54,954	593	1.08	63,149	860	1.36
FHLB advances	30,885	924	2.99	26,623	1,009	3.79
Trust preferred debentures	4,124	82	1.99	4,124	258	6.25
Repurchase agreements	11,094	13	0.12	9,769	12	0.12
Total interest-bearing liabilities	302,919	1,784	0.59	296,029	2,283	0.77
Noninterest-bearing liabilities						
Demand deposits	70,723			69,427		
Other liabilities	2,493			3,554		
Total noninterest-bearing liabilities	73,216			72,981		
Total liabilities	376,135			369,010		
Total stockholders' equity	42,634			38,341		
Total liabilities & stockholders' equity	418,769			\$ 407,351		
Net interest income		14,916			\$ 13,902	
Net interest spread			3.70%			3.47%
Net yield on interest-earning assets			3.83%			3.64%



[•] For purposes of this schedule, nonaccrual loans are included in loans.

[•] Fees collected on loans are included in interest on loans.

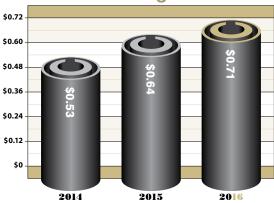
Rate/Volume Analysis

The table below describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected interest income and expense during 2016. For purposes of this table, changes in interest due to volume and rate were determined using the following methods:

- Volume variance results when the change in volume is multiplied by the previous year's rate.
- Rate variance results when the change in rate is multiplied by the previous year's volume.
- Rate/volume variance results when the change in volume is multiplied by the change in rate.

Note: The rate/volume variance was allocated to volume variance and rate variance in proportion to the relationship of the absolute dollar amount of the change in each. Nonaccrual loans are ignored for purposes of the calculations due to the nominal amount of the loans.

Diluted Earnings Per Share



Capital Resources

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Bank. The Company's stockholders' equity was \$42.6 million and \$41.5 million at December 31, 2016 and 2015, respectively. Total stockholders' equity in relation to total assets was 9.74% at December 31, 2016 and 10.2% at December 31, 2015.

2016 Compared to 2015 Increase/(Decrease)

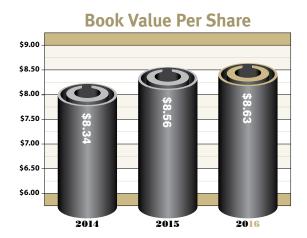
(In thousands)	Total Change	Change Due To Volume	Change Due To Rate
Interest and dividend income			
Loans\$	695	\$ 1,174	\$ (479)
Taxable securities available for sale	(2)	20	(22)
Tax-exempt securities available for sale	(102)	(106)	4
Tax-exempt securities held to maturity	(14)	(14)	-
Federal funds sold	(25)	(55)	30
FHLB stock and other	(37)	(2)	(35)
Total interest and dividend income	515	1,017	(502)
Interest expense			
Demand deposits	26	4	22
Savings deposits	2	2	-
Time deposits	(267)	(103)	(164)
FHLB advances	(85)	(110)	25
Trust Preferred debentures	(176)	-	(176)
Repurchase agreements	1	2	(1)
Total interest expense	(499)	(205)	(294)
Net interest income\$	1,014	\$ 1,222	\$ (208)

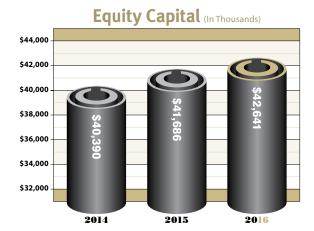
The Company has established a Dividend Reinvestment Plan ("The Plan") for stockholders under which the Company's common stock will be purchased by The Plan for participants with automatically reinvested dividends. The Plan does not represent a change in the dividend policy or a guarantee of future dividends. Stockholders who do not wish to participate in The Plan continue to receive cash dividends, as declared in the usual and customary manner.

The Company's Articles of Incorporation permits the creation of a class of preferred shares with 2,000,000 authorized shares. If, utilized, this will enable 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 class of preferred shares provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. As of December 31, 2016 the Company has not issued any preferred shares.

In 2005, a Delaware statutory business trust owned by the Company, United Bancorp Statutory Trust I ("Trust I" or the "Trust"), issued \$4.1 million of mandatorily redeemable debt securities. The sale proceeds were utilized to purchase \$4.1 million of the Company's subordinated debentures. The Company's subordinated debentures are the sole asset of Trust I. The Company's investment in Trust I is not consolidated herein as the Company is not deemed the primary beneficiary of the Trust. However, the \$4.1 million of mandatorily redeemable debt securities issued by the Trust are includible for regulatory purposes as a component of the Company's Tier 1 Capital. Interest on the Company's subordinated debentures is fixed at 6.25% through 2015. Effective January 2016 the interest rate is a variable rate per annum, reset quarterly, equal to three month LIBOR plus 1.35% and is payable quarterly.

The \$4.1 million of net proceeds received by the Company was primarily utilized to fund a \$3.4 million note receivable from a newly formed Employee Stock Option Plan (ESOP). The ESOP





in turn utilized the note proceeds to purchase \$3.4 million of the Company's treasury stock.

Liquidity

Liquidity relates primarily to the Company's ability to fund loan demand, meet deposit customers' withdrawal requirements and provide for operating expenses. Assets used to satisfy these needs consist of cash and due from banks, federal funds sold and securities available-for-sale. These assets are commonly referred to as liquid assets. Liquid assets were \$51.3 million at December 31, 2016, compared to \$47.3 million at December 31, 2015. Management recognizes securities may need to be sold in the future to help fund loan demand and, accordingly, as of December 31, 2016, \$39.8 million of the securities portfolio was classified as available for sale. The Company's residential real estate portfolio can and has been readily used to collateralize borrowings as an additional source of liquidity. Management believes its current liquidity level is sufficient to meet cash requirements.

The Cash Flow Statements for the periods presented provide an indication of the Company's sources and uses of cash as well as an indication of the ability of the Company to maintain an adequate level of liquidity. A discussion of the cash flow statements for 2016 and 2015 follows.

Net cash provided by operating activities totaled \$4.2 million and \$4.3 million for the years ended December 31, 2016 and 2015, respectively. The adjustments to reconcile net income to net cash from operating activities consisted mainly of depreciation and amortization of premises and equipment and intangibles, gain on sales of loans, securities and other assets, the provision for loan losses, Federal Home Loan Bank stock dividends, net amortization of securities and net changes in other assets and liabilities.

Net cash used in investing activities totaled \$35.0 million for the year ended December 31, 2016. For year ended December 31, 2015 net cash provided by investing activities totaled \$30.0 million. The changes in net cash from investing activities include loan growth, as well as normal maturities, security calls and reinvestments of securities and premises and equipment expenditures. Proceeds from securities, which matured or were called totaled \$36.4 million and \$41.8 million in 2016 and 2015, respectively.

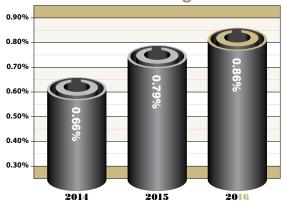
Net cash provided by (used in) financing activities totaled \$29.7 million and (\$895,000) for the years ended December 31, 2016 and 2015, respectively. The net cash provided by financing activities was primarily attributable to an increase in deposits and an increase in borrowings from the Federal Home Loan Bank. The net used in financing activities in 2015 was primarily attributable to total deposits not increasing as much for the year ended December 31, 2016. The growth of deposits of \$15.2 million in 2016 was the primary reason for the net cash provided by financing activities.

Management feels that it has the capital adequacy, profitability, liquidity and reputation to meet the current and projected financial needs of its customers.

Inflation

The majority of assets and liabilities of the Company are monetary in nature and therefore the Company differs greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. However,

Return On Average Assets



inflation does have an important impact on the growth of total assets in the banking industry and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation significantly affects noninterest expense, which tends to rise during periods of general inflation. Management believes the most significant impact on financial results is the Company's ability to react to changes in interest rates. Management seeks to maintain an essentially balanced position between interest sensitive assets and liabilities and actively manages the amount of securities available for sale in order to protect against the effects of wide interest rate fluctuations on net income and shareholders' equity.

Report of Independent Registered Public Accounting Firm



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Audit Committee, Board of Directors and Stockholders United Bancorp, Inc. Martins Ferry, Ohio

We have audited the accompanying consolidated balance sheets of United Bancorp, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2016. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Bancorp, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

BKD,LLP

Cincinnati, Ohio March 20, 2017





Consolidated Balance Sheets

December 31, 2016 and 2015

(In thousands, except share data)

	2016	2015
Assets		
Cash and due from banks	\$ 4,233	\$ 4,954
Interest-bearing demand deposits	 7,308	 7,747
Cash and cash equivalents	 11,541	 12,701
Available-for-sale securities	39,766	34,623
Loans, net of allowance for loan losses of \$2,341 and \$2,437 at		
December 31, 2016 and 2015, respectively	354,380	327,226
Premises and equipment	11,884	10,446
Federal Home Loan Bank stock	4,164	4,210
Foreclosed assets held for sale, net	335	357
Accrued interest receivable	840	803
Deferred federal income taxes	850	521
Bank-owned life insurance	11,822	11,509
Other assets	 2,436	 2,728
Total assets	\$ 438,018	\$ 405,124
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	\$ 203,745	\$ 188,328
Savings	81,825	77,672
Time	 53,233	 57,622
Total deposits	338,803	323,622
Securities sold under repurchase agreements	9,393	5,691
Federal Home Loan Bank advances	39,855	26,530
Subordinated debentures	4,124	4,124
Interest payable and other liabilities	 3,202	 3,661
Total liabilities	 395,377	 363,628
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 2016 – 5,425,304 shares, 2015 - 5,385,304 shares; outstanding		
2016 – 5,208,051, 2015 – 5,143,637	5,425	5,385
Additional paid-in capital	18,024	18,245
Retained earnings	22,483	21,443
Stock held by deferred compensation plan; 2016 – 211,509 shares,	22,103	21,113
2015 – 235,923 shares	(1,880)	(2,079)
Unearned ESOP compensation	(911)	(1,271)
Accumulated other comprehensive income (loss)	(454)	(181)
Treasury stock, at cost		
2016 – 5,744 shares, 2015 – 5,744 shares	 (46)	 (46)
Total stockholders' equity	 42,641	 41,496
Total liabilities and stockholders' equity	\$ 438,018	\$ 405,124



Consolidated Statements of Income

Years Ended December 31, 2016 and 2015

(In thousands, except per share data)

		2016		2015
Interest and Dividend Income	<u></u>			
Loans	\$	16,018	\$	15,325
Securities				
Taxable		325		327
Tax-exempt		81		157
Federal funds sold		36		61
Dividends on Federal Home Loan Bank and other stock		175	_	212
Total interest and dividend income		16,635		16,082
Interest Expense				
Deposits		765		1,005
Borrowings		1,019		1,278
Total interest expense		1,784		2,283
Net Interest Income		14,851		13,799
Provision for Loan Losses		301		553
Net Interest Income After Provision for Loan Losses		14,550		13,246
Noninterest Income		<u>.</u>		
Customer service fees		2,594		2,876
Net gains on loan sales		97		42
Realized gains on sales of available-for-sale securities				32
Earnings on bank-owned life insurance		463		426
BOLI benefit in excess of surrender value				29
Other		527		397
Total noninterest income		3,681		3,802
Noninterest Expense				
Salaries and employee benefits		7,021		6,393
Net occupancy and equipment expense		1,897		1,918
Provision for losses on foreclosed real estate		6		60
Professional fees		720		679
Insurance		225		253
Deposit insurance premiums		198		236
Franchise and other taxes		325		287
Marketing expense		324		300
Printing and office supplies		117		142
Amortization of intangible assets				66
Realized losses on sale of real estate and other repossessed assets		4		12
Other		2,234	_	2,144
Total noninterest expense		13,071		12,490
Income Before Federal Income Taxes		5,160		4,558
Provision for Federal Income Taxes		1,580		1,334
Net Income	\$	3,580	\$	3,224
Basic Earnings Per Share	\$	0.72	\$	0.65
Diluted Earnings Per Share	\$	0.71	\$	0.64

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2016 and 2015

(In thousands)

		2016	2015
Net income	\$	3,580 \$	3,224
Other comprehensive income (loss), net of tax			
Unrealized holding (losses) on available-for-sale securities during			
the period, net of benefits of (159) and \$(17) for each respective			
period		(310)	(32)
Reclassification adjustment for realized gains on available-for-sale			
securities included in net income, net of tax of \$(11)			(21)
Change in funded status of defined benefit plan, net of taxes of \$22		40	(1.50)
and (benefits) of \$(83) for each respective period		42	(158)
Amortization of prior service included in net periodic pension			
expense, net of tax (benefits) of \$(30) and \$(30) for each		(50)	(50)
respective period Amortization of net loss included in net periodic pension cost, net		(59)	(59)
of tax of \$27 and \$16 for each respective period		54	32
of the of \$27 and \$10 for each respective period	-	<u> </u>	32
Comprehensive income	\$	3,307 \$	2,986

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2016 and 2015

(In thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Treasury Stock and Deferred Compensation	Shares Acquired By 1 ESOP	Retained Earnings	Accumulated Other Comprehensive Loss		Total
Balance, January 1, 2015	\$ 5,385	5 \$ 18,044	\$ (2,107)	\$ (1,467)	\$ 20,478	\$ 57	\$	40,390
Net income	_	_	_	_	3,224	_		3,224
Other comprehensive loss	_	_	_	_	_	(238)		(238)
Cash dividends - \$0.42 per share	_	_	_	_	(2,259)			(2,259)
Shares purchased for deferred compensation plan	_	- 35	(35)	_	_	_		_
Expense related to share-based compensation plans	_	164	_	_	_	_		164
Treasury stock activity	_	- 2	17	_	_			19
Amortization of ESOP		==		<u>196</u>				196
Balance, December 31, 2015	5,385	18,245	(2,125)	(1,271)	21,443	(181)		41,496
Net income	_		_	_	3,580	_		3,580
Other comprehensive loss	_		_	_	_	(273)		(273)
Cash dividends - \$0.47 per share	_	_	_	_	(2,540)	_		(2,540)
Shares purchased for deferred compensation plan	_	- (199)	199	_	_	_		_
Expense related to share-based compensation plans		- 147	_	_	_	_		147
Restricted stock activity	40	(40)	_	_	_	_		_
Amortization of ESOP		(129)	·	360			_	231
Balance, December 31, 2016	\$ 5,425	\$ <u>18,024</u>	\$ (1,926)	\$ (911)	\$ 22,483	\$ <u>(454)</u>	\$	42,641

Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

(In thousands)

	2	2016	2015
Operating Activities			
Net income	\$	3,580 \$	3,224
Items not requiring (providing) cash			
Depreciation and amortization		819	934
Amortization of intangible assets			66
Provision for loan losses		301	553
Provision for losses on foreclosed real estate		6	60
Amortization of premiums and discounts on securities-net		(1)	1
Gain on sale of available-for-sale securities			(32)
Realized gains on sale of Great Lake Bankers bank stock		(162)	
Amortization of mortgage servicing rights		12	13
Deferred income taxes		82	(175)
Originations of loans held for sale		(4,451)	(2,370)
Proceeds from sale of loans held for sale		4,548	2,412
Net gains on sales of loans		(97)	(42)
Amortization of ESOP		231	196
Expense related to share-based compensation plans		147	164
Loss on sale of real estate and other repossessed assets		4	12
Changes in			
Bank-owned life insurance		(313)	(763)
Accrued interest receivable		(37)	26
Other assets		(34)	(864)
Interest payable and other liabilities		(458)	860
Net cash provided by operating activities		4,177	4,275
Investing Activities			
Purchases of available-for-sale securities		(42,000)	(56,997)
Proceeds from maturities of available-for-sale securities		36,389	41,331
Proceeds from maturities of held-to-maturity securities			450
Proceeds from sale of available-for-sale securities			355
Net change in loans		(27,468)	(14,382)
Proceeds from sale of Great Lake Bank stock		208	
Purchases of premises and equipment		(2,257)	(1,310)
Proceeds from sales of foreclosed assets		124	710
Net cash used in investing activities		(35,004)	(29,843)

Consolidated Statements of Cash Flows Continued

Years Ended December 31, 2016 and 2015

(In thousands)

	2016	2015
Financing Activities		
Net increase (decrease) in deposits	\$ 15,181	\$ 941
Proceeds of Federal Home Loan Bank advances	19,500	
Repayments of Federal Home Loan Bank advances	(6,175	(189)
Net change in short term borrowings	3,701	593
Cash dividends paid	(2,540	(2,259)
Treasury stock -net		
Net cash provided by (used in) financing activities	29,667	(895)
Decrease in Cash and Cash Equivalents	(1,160	(26,463)
Cash and Cash Equivalents, Beginning of Year	12,701	39,164
Cash and Cash Equivalents, End of Year	\$ <u>11,541</u>	\$12,701
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	\$1,796	<u>2,271</u>
Federal income taxes paid	\$ <u>1,133</u>	\$1,180
Supplemental Disclosure of Non-Cash Investing Activities		
Transfers from loans to foreclosed assets held for sale	\$ <u>111</u>	\$
Vesting of restricted stock	\$ <u>90</u>	\$39

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of United Bancorp, Inc. ("United" or "the Company") and its wholly-owned subsidiary, The Citizens Savings Bank of Martins Ferry, Ohio ("the Bank" or "Citizens"). The Bank operates 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, Jefferson and Tuscarawas Counties and the surrounding localities in northeastern, east-central and southeastern Ohio and include a wide range of individuals, businesses and other organizations. The Citizens Bank division conducts its business through its main office in Martins Ferry, Ohio and branches in Bridgeport, Colerain, Dellroy, Dillonvale, Dover, Jewett, New Philadelphia, St. Clairsville East, St. Clairsville West, Sherrodsville, Strasburg and Tiltonsville, Ohio. The Citizens Bank also operates a Loan Production Office in Wheeling, West Virginia. The Community Bank division conducts its business through its two branches in Lancaster, Ohio and branches in Amesville, Glouster, and Nelsonville, Ohio.

The Company's primary deposit products are checking, savings and term certificate accounts and its primary lending products are residential mortgage, commercial and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of due from accounts with the Federal Reserve and other correspondent Banks.

Currently, the FDIC's insurance limits are \$250,000. At December 31, 2016 and 2015, none of the Company's cash accounts exceeded the federally insured limit of \$250,000.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost, when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. At December 31, 2016 and 2015, the Company did not have any loans held for sale.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Loans

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

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

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

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

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

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

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in

December 31, 2016 and 2015

the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the 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 Bank management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior three years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

December 31, 2016 and 2015

Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

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

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

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

December 31, 2016 and 2015

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

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

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. An accelerated method is used for tax purposes.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less costs to sell, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Bank-Owned Life Insurance

The Company and the Bank have purchased life insurance policies on certain key executives. Company and bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized

December 31, 2016 and 2015

Intangible Asset

In conjunction with an acquisition, the Company recorded a core deposit intangible asset of approximately \$812,000. As of December 31, 2015 this asset was fully amortized. Amortization expense was \$66,000 the year ended December 31, 2015

Treasury Stock

Common shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the weighted average cost.

Restricted Stock Awards

The Company has a share-based employee compensation plan, which is described more fully in Note 14.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if based on the weight of evidence available it is more likely than not that some portion or all of a deferred tax asset will not be realized.

December 31, 2016 and 2015

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. At December 31, 2016, the Company had no uncertain tax positions.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary. With a few exceptions, the Company is no longer subject to the examination by tax authorities for years before 2013.

Deferred Compensation Plan

Directors have the option to defer all or a portion of fees for their services into a deferred stock compensation plan that invests in common shares of the Company. Officers of the Company have the option to defer up to 50% of their annual incentive award into this plan. The plan does not permit diversification and must be settled by the delivery of a fixed number of shares of the Company stock. The stock held in the plan is included in equity as deferred shares and is accounted for in a manner similar to treasury stock. Subsequent changes in the fair value of the Company's stock are not recognized. The deferred compensation obligation is also classified as an equity instrument and changes in the fair value of the amount owed to the participant are not recognized.

Stockholders' Equity and Dividend Restrictions

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Generally, the Bank's payment of dividends is limited to net income for the current year plus the two preceding calendar years, less capital distributions paid over the comparable time period. Dividend payments to the stockholders may be legally paid from additional paid-in capital or retained earnings.

Earnings Per Share

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

December 31, 2016 and 2015

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

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities and changes in the funded status of the defined benefit pension plan.

Advertising

Advertising costs are expensed as incurred.

Note 2: Restriction on Cash and Due From Banks

The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2016 and 2015, was \$2.8 million and \$3.7 million, respectively.

December 31, 2016 and 2015

Note 3: Securities

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

	nortized Cost	U	Gross nrealized Gains		Gross nrealized Losses	 proximate air Value
			(In tho	usan	ds)	
Available-for-sale Securities:						
December 31, 2016:						
U.S. government agencies	\$ 39,000	\$		\$	(486)	\$ 38,514
State and political subdivisions	 1,249	_	3	_	<u></u>	 1,252
	\$ 40,249	\$	3	\$	(486)	\$ 39,766
Available-for-sale Securities:						
December 31, 2015:						
U.S. government agencies	\$ 32,000	\$	11	\$	(50)	\$ 31,961
State and political subdivisions	 2,637	_	25			 2,662
	\$ 34,637	\$	36	\$	(50)	\$ 34,623

The amortized cost and fair value of available-for-sale securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Maturities for mortgage-backed securities are presented in the table below based on their projected maturities.

	Available-for-sale								
	Amortize	d	Fair						
	Cost	1 1	Value						
	(In t	housands)						
Within one year	\$ 2	50 \$	250						
One to five years	39,9	99	39,516						
Totals	\$ <u>40,2</u>	<u>49</u> \$	39,766						

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$27.9 million and \$22.6 million at December 31, 2016 and 2015, respectively.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at December 31, 2016 and 2015, was

December 31, 2016 and 2015

\$38.5 million and \$24.0 million, which represented approximately 96.8% and 69.2%, 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.

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 December 31, 2016 and 2015:

		Decem	ber 31, 2016	6		
	otal					
Description of	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
Securities	Value	Losses	Value	Losses	Value	Losses
		(In t	thousands)			
US Government agencies	\$38,514	\$(486)	\$	\$	\$ <u>38,514</u>	\$ <u>(486)</u>
Total temporarily impaired securities	\$38,514	. \$ (486)	\$	\$	\$ 38,514	\$ (486)

		December 31, 2015											
	Less tha	n 12 Months	12 Mont	ths or More	Total								
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses							
		(In t	housands)										
US Government agencies	\$ <u>23,95</u>	0 \$ (50)	\$	\$ <u></u>	\$ <u>23,950</u>	\$(50)							
Total temporarily impaired securities	\$ 23.95	0 \$ (50)	\$	\$	\$ 23,950	\$(50)							

U. S. Government Agencies

The unrealized losses on the Company's investments in direct obligations of U. S. Government agencies were caused by interest rate increases. 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 December 31, 2016.

December 31, 2016 and 2015

For the year ended December 31 2015, proceeds from the sale of investment securities available-for-sale were \$355,000, with gross realized gains of \$32,000, and gross realized losses of zero. The gain is included in realized gains on sales of available-for-sale securities, net in the noninterest income section of the statement of income.

Note 4: Loans and Allowance for Loan Losses

Categories of loans at December 31, include:

	201	6	2015
		(In thousan	nds)
Commercial loans Commercial real estate Residential real estate Installment loans	191 76	1,514 1,686 5,154 1,367	\$ 67,247 163,459 81,498 17,459
Total gross loans	356	5,721	329,663
Less allowance for loan losses	(2	2,341)	(2,437)
Total loans	<u>\$ 354</u>	<u>1,380</u>	\$ 327,226

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

Commercial

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

Commercial Real Estate

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

December 31, 2016 and 2015

purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Residential and Consumer

Residential and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

December 31, 2016 and 2015

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2016 and 2015:

	2016										
		Commercial									
	Commercial	Real Estate	Residential	Installment	Unallocated	Total					
			(In tho	usands)							
Allowance for loan losses:											
Balance, beginning of year Provision charged to	\$ 184	\$ 597	\$ 170	\$ 113	\$ 1,373 \$	2,437					
expense	235	213	542	340	(1,029)	301					
Losses charged off	(2)	(108)	(143)	(417)		(670)					
Recoveries	78	<u>102</u>	22	<u>71</u>		<u>273</u>					
Balance, end of year	\$ <u>495</u>	\$804	\$ <u>591</u>	\$ <u>107</u>	\$ <u>344</u> \$	2,341					
Ending balance: individually evaluated for impairment	\$ <u>11</u>	\$ <u>108</u>	\$ <u> </u>	\$	\$ \$	S <u>119</u>					
Ending balance: collectively evaluated for impairment	\$ <u>484</u>	\$ <u>696</u>	\$ <u>591</u>	\$ <u>107</u>	\$ <u>344</u> \$	S <u>2,222</u>					
Loans:											
Ending balance: individually evaluated for impairment	\$ <u>3,148</u>	\$ <u>1,178</u>	\$ <u> </u>	\$ <u>326</u>	\$ <u> </u>	<u>4,652</u>					
Ending balance: collectively evaluated for impairment	\$ <u>71,366</u>	\$ <u>190,508</u>	\$ <u>76,154</u>	\$ <u>14,041</u>	\$\$	352,069					

December 31, 2016 and 2015

2015

	Commercial										
	Commercial	Real Estate	Real Estate Residential Installment Unallocat								
Allowance for loan losses:			(In tho	ousands)							
Balance, beginning of year Provision charged to	\$ 254	\$ 1,116		\$ 147	\$ 791 \$	2,400					
expense	20	(382)	78	255	582	553					
Losses charged off Recoveries	(117) <u>27</u>	(152) 15	(42) 42	(400) 111		(711) 195					
Balance, end of year	\$ <u>184</u>	\$597	\$ <u>170</u>	\$ <u>113</u>	\$ <u>1,373</u> \$	2,437					
Ending balance: individually evaluated for impairment	\$ <u> 9</u>	\$ <u>172</u>	\$	\$	\$ \$	181					
Ending balance: collectively evaluated for impairment	\$ <u>175</u>	\$ <u>425</u>	\$ <u>170</u>	\$ <u>113</u>	\$ <u>1,373</u> \$	2,256					
Loans:											
Ending balance: individually evaluated for impairment	\$ <u>57</u>	\$ <u>1,273</u>	\$	\$ <u>80</u>	\$\$	1,410					
Ending balance: collectively evaluated for impairment	\$ <u>67,190</u>	\$ <u>162,186</u>	\$ <u>81,498</u>	\$ <u>17,379</u>	\$\$_	328,253					

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 allowance for loan loss estimate, 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.

December 31, 2016 and 2015

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

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

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

The following table shows the portfolio quality indicators as of December 31, 2016:

Loan Class	Cor	nmercial	_	mmercial al Estate	sidential	l Installment Total					
					(In tl	housands)					
Pass Grade Special Mention Substandard Doubtful	\$	71,302 64 3,148	\$	187,255 3,253 1,178	\$	76,154 — —	\$	14,041 — 326	\$	348,752 3,317 4,652	
Doubtful	<u> </u>	74.514	ф.	101 696	Ф.	76.154	ф.	14267	Ф.	256 721	
	2	74,514	\$ <u></u>	191 <u>,686</u>	\$ <u></u>	<u>76,154</u>	\$ <u></u>	14,367	>	356,721	

The following table shows the portfolio quality indicators as of December 31, 2015:

Loan Class	Commercial			al Estate	Res	sidential	Inst	allment	Total			
	(In thousands)											
Pass Grade	\$	67,150	\$	158,362	\$	81,498	\$	17,363	\$	324,373		
Special Mention		39		996						1,035		
Substandard		58		4,101				96		4,255		
Doubtful		<u> </u>				<u> </u>		<u> </u>	_			
	\$	67,247	\$	163,459	\$	81,498	\$	17,459	\$	329,663		

December 31, 2016 and 2015

The Company evaluates the loan risk grading system definitions and allowance for loan losses methodology on an ongoing basis. No significant methodology changes were made during 2016 and 2015.

The following table shows the loan portfolio aging analysis of the recorded investment in loans as of December 31, 2016:

	Pa	and		Days t Due nd ruing	Tł Da	reater nan 90 ys and cruing		Non ccrual	D	tal Past ue and Accrual	(Current		tal Loans eceivable
							(In	thousand	ds)					
Commercial Commercial real	\$	153	\$	105	\$	75	\$	49	\$	382	\$	74,132	\$	74,514
estate				55				335		390		191,296		191,686
Residential		805		135		161		922		2,023		74,131		76,154
Installment		213		8			_	55	_	276	_	14,091	_	14,367
Total	\$	1,171	\$	303	\$	236	\$	1,361	\$	3,071	\$	353,650	\$_	356,721

The following table shows the loan portfolio aging analysis of the recorded investment in loans as of December 31, 2015:

	Pa	Past Due and		and and Days and Non Due and					Current	Total Loans Receivable			
							(In	thousand	ds)				
Commercial Commercial real	\$	141	\$		\$	_	\$	63	\$	204	\$ 67,043	\$	67,247
estate Residential		319 737		500		132		250 599		701 1,836	162,758 79,662		163,459 81,498
Installment	_	220		71			_	132	_	423	 17,036	_	17,459
Total	\$	1.417	\$	571	\$	132	\$	1 044	\$	3.164	\$ 326.499	\$	329 663

December 31, 2016 and 2015

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.

The following table presents impaired loans for the year ended December 31, 2016:

							Average					
	_			Inpaid	_			stment ir	1	Interest		
		corded		rincipal	-	oecific	Impaired Loans			Income		
	В	alance	В	alance		owance				ecognized		
					(In ti	nousands)						
Loans without a specific valuation allowance:												
Commercial	\$	2,975	\$	2,975	\$		\$	2,930	\$	142		
Commercial real estate		658		766				1,176		43		
Installment		326		326				328	_	13		
		3,959		4,067				4,434		198		
Loans with a specific valuation allowance:												
Commercial	\$	173	\$	173	\$	11	\$	188	\$	8		
Commercial real estate		520		520		108		586		26		
Installment									_	2		
		693		693		119		774		36		
Total:												
Commercial	\$	3,148	\$	3,148	\$	11	\$	3,118	\$_	150		
Commercial Real Estate	\$	1,178	\$	1,286	\$	108	\$	1,762	\$	69		
Installment	\$	326	\$	326	\$		\$	328	\$_	15		

December 31, 2016 and 2015

The following table presents impaired loans for the year ended December 31, 2015:

	Unpaid Recorded Principal Balance Balance		incipal	Specific Allowance		Average Investment in Impaired Loans		ment in Interes aired Incom		
					(In th	ousands)				
Loans without a specific valuation allowance:										
Commercial	\$	44	\$	74	\$		\$	74	\$	4
Commercial real estate		464		464				857		35
Installment		80		203				213	_	14
		588		741				1,144		53
Loans with a specific valuation allowance:										
Commercial		13		49		9		49		5
Commercial real estate		809	_	961		172		1,010	_	36
		822		1,010		181		1,059		41
Total:										
Commercial	\$	57	\$	123	\$	9	\$	123	\$_	9
Commercial Real Estate	\$	1,273	\$	1,425	\$	172	\$	1,867	\$_	71
Installment	\$	80	\$	203	\$		\$	213	\$_	14

At December 31, 2016 and 2015, the Company had certain loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

December 31, 2016 and 2015

The following tables present information regarding troubled debt restructurings by class and by type of modification for the years ended December 31, 2016 and 2015:

		Year	Ende	d December 3	31, 2016	i		
		Number of Recorded Rec			odification standing corded estment			
				(In tho	usands)			
Commercial Commercial real estate		1 3	\$	17 116	\$	17 116		
		Year En	ded D	ecember 31, 2	2016			
		terest Only Tei	m	Combinatio	n Mo	Total odification		
		•	(In th	ousands)				
Commercial real estate	\$	_ \$	17 116	\$	- \$ -	17 116		
		Year	Ende	d December 3	31, 201 5	;		
		Number of Contracts	Pre-	Modification utstanding Recorded nvestment	Post-M Outs Red			
				(In tho	usands)			
Commercial Commercial real estate		2	\$	40 62	\$	40 62		
	Year Ended December 31, 2015							
		terest Only Te		Combinatio	n Mo	Total odification		
			(In th	ousands)				
Commercial Commercial real estate	\$	— \$	40 62	\$ -	- \$	40 62		

During the 2016 and 2015, troubled debt restructurings did not have an impact on the allowance for loan losses. At December 31, 2016 and 2015 and for the years then ended, there were no material defaults of any troubled debt restructurings that were modified in the last 12 months. The Company generally considers TDR's that become 90 days or more past due under the modified terms as subsequently defaulted.

December 31, 2016 and 2015

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2016		2015	
	(In tho	usand	ands)	
Land, buildings and improvements	\$ 17,025	\$	15,650	
Furniture and equipment	12,164		11,361	
Computer software	 2,116		2,037	
	31,305		29,048	
Less accumulated depreciation	 (19,421)		(18,602)	
Net premises and equipment	\$ 11,884	\$	10,446	

Note 6: Time Deposits

Time deposits in denominations of \$250,000 or more were \$1.4 million at December 31, 2016 and \$2.9 million at December 31, 2015. At December 31, 2016, the scheduled maturities of time deposits are as follows:

Due during the year ending December 31,	(In thousands)		
2017	\$	23,797	
2018		16,859	
2019		6,520	
2020		2,436	
2021		1,110	
Thereafter		2,511	
	\$	53,233	

Note 7: Borrowings

At December 31, advances from the Federal Home Loan Bank were as follows:

2016			2015
	(In tho	usands)
\$	20,355	\$	_
	19,500		_
			26.520
\$	39.855	<u> </u>	26,530 26,530
	\$	(In tho	\$ 20,355 \$ 19,500

December 31, 2016 and 2015

At December 31, 2016 required annual principal payments on Federal Home Loan Bank advances were as follows:

For the year ending December 31,	(In thousands)		
2017	\$	39,634	
2018		110	
2019		40	
2020		17	
2021		17	
Thereafter		37	
	\$	39 855	

At December 31, 2016 and 2015, as a member of the Federal Home Loan Bank system the Bank had the ability to obtain up to \$60.8 million and \$60.6 million, respectively, in additional borrowings based on securities and certain loans pledged to the FHLB. At December 31, 2016 and 2015, the Bank had approximately \$122.6 million and \$122.1 million, respectively of one- to four-family residential real estate and commercial real estate loans pledged as collateral for borrowings. Also at December 31, 2016 and 2015, the Company and the Bank have cash management lines of credit with various correspondent banks (excluding FHLB cash management lines of credit) enabling additional borrowings of up to \$15.0 million.

Securities sold under repurchase agreements were approximately \$9.4 million and \$5.7 million at December 31, 2016 and 2015.

Securities sold under agreements to repurchase are financing arrangements whereby the Company sells securities and agrees to repurchase the identical securities at the maturities of the agreements at specified prices. Physical control is maintained for all securities sold under repurchase agreements. Information concerning securities sold under agreements to repurchase is summarized as follows:

	2016			2015
		(Dollars in	n thous	ands)
Balance outstanding at year end	\$	9,393	\$	5,691
Average daily balance during the year	\$	11,058	\$	9,769
Average interest rate during the year		0.12%		0.12%
Maximum month-end balance during the year	\$	14,200	\$	12,934
Weighted-average interest rate at year end		0.12%		0.12%

All repurchase agreements are subject to term and conditions of repurchase/security agreements between the Company and the customer and are accounted for as secured borrowings. The Company's repurchase agreements reflected in short-term borrowings consist of customer accounts and securities which are pledged on an individual security basis.

December 31, 2016 and 2015

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

Remaining Contractual Maturity of the Agreement

(In thousands)

	Overnight and			Greater than 90	
December 31, 2016	Continuous	Up to 30 Days	30-90 Days	Days	Total
Repurchase Agreements					
U.S government agencies	\$ 9,393	<u> </u>	<u> </u>	<u> </u>	9,393
Total	\$ 9,393	<u>\$</u>	<u>\$</u>	<u>\$</u>	§ 9,393

(In thousands)

December 31, 2015	night and ntinuous	o 30 Days	30-9	00 Days	Gre	eater than 90 Days	Total
Repurchase Agreements U.S. government agencies	\$ 1,622	\$ _	\$	_	\$	_	\$ 1,622
State and political subdivisions	 4,069	 _					4,069
Total	\$ 5,691	\$ 	\$		\$	<u> </u>	\$ 5,691

Securities with an approximate carrying value of \$13.0 million and \$8.5 million at December 31, 2016 and 2015, respectively, were pledged as collateral for repurchase borrowings.

Note 8: Subordinated Debentures

In 2005, a Delaware statutory business trust owned by the Company, United Bancorp Statutory Trust I ("Trust I" or the "Trust"), issued \$4.1 million of mandatorily redeemable debt securities. The sale proceeds were utilized to purchase \$4.1 million of the Company's subordinated debentures which mature in 2035. The Company's subordinated debentures are the sole asset of Trust I. The Company's investment in Trust I is not consolidated herein as the Company is not deemed the primary beneficiary of the Trust. However, the \$4.1 million of mandatorily redeemable debt securities issued by the Trust are includible for regulatory purposes as a

December 31, 2016 and 2015

component of the Company's Tier I Capital. Interest on the Company's subordinated debentures is equal to three month LIBOR plus 1.35% and is payable quarterly.

Note 9: Income Taxes

The provision for income taxes includes these components:

	2016	;	2015			
	(In thousands)					
Taxes currently payable Deferred income taxes (benefit)	\$	1,498 \$ 82	1,509 (175)			
Income tax expense	\$	<u>1,580</u> \$	1,334			

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2016	2015
	(In thousan	ds)
Computed at the statutory rate (34%)	\$ 1,755 \$	1,550
(Decrease) increase resulting from		
Tax exempt interest	(42)	(66)
Earnings on bank-owned life insurance - net	(160)	(159)
Other	 27	9
Actual tax expense	\$ 1,580 \$_	1,334

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2	2016		2015
	(In thousands)			
Deferred tax assets				
Allowance for loan losses	\$	382	\$	372
Stock based compensation		375		366
Allowance for losses on foreclosed real estate		82		82
Deferred compensation		690		760
Intangible assets		124		143
Non-accrual loan interest		79		47
Unrealized losses on securities available for sale		164		5
Total deferred tax assets		1,896		1,775

December 31, 2016 and 2015

	2016	2015
Deferred tax liabilities		
Depreciation	(199)	(109)
Deferred loan costs, net	(158)	(180)
Accretion	(1)	(2)
FHLB stock dividends	(510)	(510)
Mortgage servicing rights	(16)	(20)
Employee benefit expense	(162)	(162)
Total deferred tax liabilities	(1.046)	(983)
Net deferred tax asset	\$ <u>850</u> \$	S <u>792</u>

Note 10: Accumulated Other Comprehensive Loss

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

	2	2016		2015
		(In thou	usands	s)
Net unrealized loss on securities available-for-sale Net unrealized loss for funded status of defined	\$	(483)	\$	(14)
benefit plan liability		(205)		(261)
Tax effect		(688) 234		(275) 94
Net-of-tax amount	\$	(454)	\$	(181)

Note 11: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company and the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

December 31, 2016 and 2015

In July 2013, the Federal Reserve approved final rules, referred to herein as the Basel III Rules, establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Rules generally implement the Basel Committee on Banking Supervision's December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. The Basel III Rules substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including the Company and Citizens, as compared to the current U.S. general risk-based capital rules. The Basel III Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the computation of regulatory capital ratios. The Basel III rules added another capital ratio component "Tier 1 Common Capital Ratio" which is a measurement of a bank's core equity capital compared with its total risk-weighted assets The Basel III Rules also prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the current categories to a larger more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes. The Basel III capital rules became effective for the Company and Citizens on January 1, 2015, subject to phase-in periods for certain components. The Company's management believes that the Company and Citizens will be able to meet targeted capital ratios upon implementation of the revised requirements as finalized. The minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 0.625% at December 31, 2016. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

As of December 31, 2016, the Company exceeded its minimum regulatory capital requirements with a total risk-based capital ratio of 13.6%, common equity tier 1 ratio of 11.8%, Tier 1 risk-based capital ratio of 12.9% and a Tier 1 leverage ratio of 11.0%.

As of December 31, 2016, the most recent notification from Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

December 31, 2016 and 2015

The Company's and Bank's actual capital amounts and ratios are presented in the following table.

	Actual		F	For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Correctiv Action Provisions		
		Mount	Ratio		Amount	Ratio		Mount	Ratio
A = - CD 21 2016				((Dollars in th	ousands)			
As of December 31, 2016 Total Capital									
(to Risk-Weighted Assets)									
Consolidated	\$	48,429	13.6%	\$	28,516	8.0%		N/A	N/A
Citizens	Ψ	41,801	11.8	Ψ	28,382	8.0	\$	35,478	10.0%
Citizens		41,001	11.0		20,302	0.0	Ψ	33,470	10.070
Common Equity Tier 1 Capital									
(to Risk-Weighted Assets)									
Consolidated	\$	42,088	11.8%	\$	16,040	4.5%		N/A	N/A
Citizens		39,460	11.1		15,965	4.5	\$	23,061	6.5%
		-						-	
Tier I Capital									
(to Risk-Weighted Assets)									
Consolidated	\$	46,088	12.9%	\$	21,387	6.0%		N/A	N/A
Citizens		39,460	11.1		21,287	6.0	\$	28,382	8.0%
T: 10 : 1									
Tier I Capital									
(to Average Assets) Consolidated	\$	46,088	11.00/	\$	16.720	4.00/		NT/A	NT/A
	3		11.0% 9.3	Э	16,729	4.0%	\$	N/A	N/A 5.0%
Citizens		39,460	9.3		17,048	4.0	Þ	21,310	5.0%
As of December 31, 2015									
Total Capital									
(to Risk-Weighted Assets)									
Consolidated	\$	46,854	14.7%	\$	25,573	8.0%		N/A	N/A
Citizens		41,858	13.2		25,378	8.0	\$	31,722	10.0%
		,			Ź			,	
Common Equity Tier 1 Capital									
(to Risk-Weighted Assets)									
Consolidated	\$	40,417	12.6%	\$	14,385	4.5%		N/A	N/A
Citizens		39,421	12.4		14,275	4.5	\$	20,619	6.5%
T. 10 : 1									
Tier I Capital									
(to Risk-Weighted Assets)	¢	44 417	12.00/	d.	10 170	6.00/		NT/A	NT/A
Consolidated Citizens	\$	44,417	13.9% 12.4	\$	19,179	6.0% 6.0	\$	N/A	N/A 8.0%
Citizens		39,421	12.4		19,033	6.0	Þ	25,378	8.0%
Tier I Capital									
(to Average Assets)									
Consolidated	\$	44,417	10.9%	\$	16,376	4.0%		N/A	N/A
Citizens	~	39,421	9.7	~	16,200	4.0	\$	20,251	5.0%

December 31, 2016 and 2015

Note 12: Related Party Transactions

At December 31, 2016 and 2015, the Bank had loan commitments outstanding to executive officers, directors, significant stockholders and their affiliates (related parties). In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features. Such loans are summarized below.

	2	016	2015
		(In thousand	ds)
Aggregate balance – January 1 New loans Repayments	\$	10,546 \$ 4,864 (1,775)	9,684 1,474 (612)
Aggregate balance – December 31	\$	13,635 \$	10,546

Deposits from related parties held by the Bank at December 31, 2016 and 2015, totaled \$1.4 million and \$1.2 million, respectively.

Note 13: Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute \$406,000 to the plan in 2017.

December 31, 2016 and 2015

The Company uses a December 31st measurement date for the plan. Information about the plan's funded status and pension cost follows:

	Pension Benefits			
	2016	2015		
	(In the	ousands)		
Change in benefit obligation				
Beginning of year	\$ (3,968)	\$ (3,897)		
Service cost	(312)	(341)		
Interest cost	(198)	(191)		
Actuarial gain	23	187		
Benefits paid	529	274		
End of year	(3,926)	(3,968)		
Change in fair value of plan assets				
Beginning of year	4,458	4,485		
Actual return on plan assets	382	(51)		
Employer contribution	314	298		
Benefits paid	(529)	(274)		
End of year	4,625	4,458		
Funded status at end of year	\$ <u>699</u>	\$ <u>490</u>		

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit cost consist of:

	Pens 2016	ion Ben	efits 2015
		thousand	ls)
Unamortized net loss Unamortized prior service	\$ 1,05 (84		1,196 (935)
	\$20	5 \$	261

December 31, 2016 and 2015

The estimated net loss and prior service credit for the defined benefit pension plan that will be amortized from accumulated other comprehensive income as a credit into net periodic benefit cost over the next fiscal year is approximately \$88,000. The accumulated benefit obligation for the defined benefit pension plan was \$3.8 million and \$3.8 million at December 31, 2016 and 2015, respectively.

Information for the pension plan with respect to accumulated benefit obligation and plan assets is as follows:

WD 10110 110.								
	December 31,							
	2016	2015						
	(It	thousands)						
Projected benefit obligation	\$ 3,92	<u>6</u> \$ <u>3,968</u>						
Accumulated benefit obligation	\$ 3,75							
Fair value of plan assets	\$ 4,62							
	December 31,							
	2016	2 015						
	(In	thousands)						
Components of net periodic benefit cost								
Service cost	\$ 31	341						
Interest cost	19	98 191						
Expected return on plan assets	(34	41) (377)						
Amortization of prior service (credit) cost	3)	89) (89)						
Amortization of net loss		<u>43</u>						
Net periodic benefit cost	\$16	<u>51</u> \$ <u>109</u>						
Significant assumptions include:								
	Pens	sion Benefits						
	2016	2015						
Weighted-average assumptions used to determine benefit obligation:								
Discount rate	5.39%	5.26%						
Rate of compensation increase	3.00%	3.00%						
Weighted-average assumptions used to determine benefit cost:								
Discount rate	5.39%	4.98%						

Expected return on plan assets

Rate of compensation increase

8.00%

3.00%

7.50%

3.00%

December 31, 2016 and 2015

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The long-term rate of return did not change from 2015 to 2016.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2016:

	Pension Benefits
	(In thousands)
2017	\$ 503
2018	193
2019	180
2020	798
2021	489
2022-2026	1,351
Total	\$ <u>3,514</u>

Plan assets are held by an outside trustee which invests the plan assets in accordance with the provisions of the plan agreement. All equity and fixed income investments are held in various mutual funds with quoted market prices. Mutual fund equity securities primarily include investment funds that are comprised of large-cap, mid-cap and international companies. Fixed income mutual funds primarily include investments in corporate bonds, mortgage-backed securities and U.S. Treasuries. Other types of investments include a prime money market fund.

The asset allocation strategy of the plan is designed to allow flexibility in the determination of the appropriate investment allocations between equity and fixed income investments. This strategy is designed to help achieve the actuarial long term rate on plan assets of 7.5%. The target asset allocation percentages for both 2016 and 2015 are as follows:

Large-Cap stocks	Not to exceed 68%
Small-Cap stocks	Not to exceed 23%
Mid-Cap stocks	Not to exceed 23%
International equity securities	Not to exceed 30%
Fixed income investments	Not to exceed 35%
Alternative investments	Not to exceed 19%

December 31, 2016 and 2015

At December 31, 2016 and 2015, the fair value of plan assets as a percentage of the total was invested in the following:

	Decemb	er 31,
	2016	2015
Equity securities	68.1%	75.3%
Debt securities	29.6	23.9
Cash and cash equivalents	2.3	0.8
	<u> 100.0</u> %	<u>100.0</u> %

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include investments in mutual funds that involve equity, bond and money market investments. All of the Plan's assets are classified as Level 1. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2016 and 2015, the Plan did not contain Level 2 or Level 3 investments.

December 31, 2016 and 2015

The fair values of Company's pension plan assets at December 31st, by asset category are as follows:

December 31, 2016

				Fair Val	ue Mea	asurement	rements Using				
Asset Category	Total l	Fair Value	in Mai Identi	ed Prices Active rkets for cal Assets evel 1)	Obs In	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)			
			(In thousands)								
Mutual money market Mutual funds – equities ETF mutual funds Large and small Cap	\$	106 2,561 584	\$	106 2,561 584	\$	_ 	\$	_ _ _			
Commodities Mutual funds – fixed income Fixed income ETF fixed income		140 1,022 212		140 1,022 212		_ 					
Total	\$	4,625	\$	4,625	\$		\$				

December 31, 2015

			Fair Value Measurements Using						
Asset Category	Total	Fair Value	i M Iden	oted Prices n Active arkets for tical Assets Level 1)	Ob	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
				(In thou	ısands)		,	
Mutual money market	\$	37	\$	37	\$		\$		
Mutual funds – equities									
International		494		494					
Large Cap		1,876		1,876					
Small and Mid Cap		985		985					
Mutual funds – fixed income									
Core bond		845		845					
High yield corporate		221		221					
Total	\$	4 458	\$	4 458	\$		\$		

December 31, 2016 and 2015

Employee Stock Ownership Plan

The Company has an Employee Stock Ownership Plan ("ESOP") with an integrated 401(k) plan covering substantially all employees of the Company. The ESOP acquired 354,551 shares of Company common stock at \$9.64 per share in 2005 with funds provided by a loan from the Company. Accordingly, \$3.4 million of common stock acquired by the ESOP was shown as a reduction of stockholders' equity. Shares are released to participants proportionately as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually by the Board of Directors of the Company, are made to the ESOP. The Company's 401(k) matching percentage was 50% of the employees' first 6% of contributions for 2016 and 2015.

ESOP and 401(k) expense for the years ended December 31, 2016 and 2015 was approximately \$231,000 and \$196,000, respectively.

Share information for the ESOP is as follows at December 31, 2016 and 2015:

		2016		2015
Allocated shares at beginning of the year Shares released for allocation during the year Net shares acquired on reinvestment of cash or	\$	267,558 23,635	\$	199,242 23,635
(distributed) due to retirement/diversification Unearned shares		42,597 94,541	_	44,681 118,176
Total ESOP shares	=	428,331	=	385,734
Fair value of unearned shares at December 31st	\$	1,276,000	\$	1,133,000

At December 31, 2016, the fair value of the 333,740 allocated shares held by the ESOP was approximately \$4,506,000.

Split Dollar Life Insurance Arrangements

The Company has split-dollar life insurance arrangements with its executive officers and certain directors that provide certain death benefits to the executive's beneficiaries upon his or her death. The agreements provide a pre- and post-retirement death benefit payable to the beneficiaries of the executive in the event of the executive's death. The Company has purchased life insurance policies on the lives of all participants covered by these agreements in amounts sufficient to provide the sums necessary to pay the beneficiaries, and the Company pays all premiums due on the policies. In the case of an early separation from the Company, the nonvested executive portion of the death benefit is retained by the Company. The accumulated post retirement benefit obligation was \$1.5 million at December 31, 2016 and \$1.4 million at December 31, 2015.

December 31, 2016 and 2015

Note 14: Restricted Stock Plan

During 2008, the Company's stockholders authorized the adoption of the United Bancorp, Inc. 2008 Stock Incentive Plan (the "2008 Plan"). No more than 500,000 shares of the Company's common stock may be issued under the 2008 Plan. The shares that may be issued can be authorized but unissued shares or treasury shares. The 2008 Plan permits the grant of incentive awards in the form of options, stock appreciation rights, restricted share and share unit awards, and performance share awards. The 2008 Plan contains annual limits on certain types of awards to individual participants. In any calendar year, no participant may be granted awards covering more than 25,000 shares.

The Company believes that such awards better align the interests of its employees with those of its stockholders. Stock options are generally granted with an exercise price, and restricted stock awards are valued, equal to the market price of the Company's stock at the date of grant; stock option awards generally vest within 9.25 years of continuous service and have a 9.5 year contractual term. Restricted stock awards generally vest over a 9.5 year contractual term, or over the period to retirement, whichever is shorter. Restricted stock awards have no post-vesting restrictions. Restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the Plans).

A summary of the status of the Company's nonvested restricted shares as of December 31, 2016, and changes during the year then ended, is presented below:

	Shares	A Gra	eighted- verage ant-Date iir Value
Nonvested, beginning of year	140,000	\$	8.39
Granted	40,000	•	8.17
Vested	(10,000)		9.94
Forfeited			
Nonvested, end of year	<u>170,000</u>	\$	8.75

Total compensation cost recognized in the income statement for share-based payment arrangements during the years ended December 31, 2016 and 2015 was \$147,000 and \$158,000, respectively. The recognized tax benefits related thereto were \$50,000 and \$54,000, for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, there was \$660,000 and \$412,000, respectively, of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.2 years.

December 31, 2016 and 2015

Note 15: Earnings Per Share

Earnings per share (EPS) were computed as follows:

	Year Ended December 31, 2016 Weighted-				
	Net		Average	Per Share	
	ln	come	Shares	Amount	
	(In th	nousands)			
Net income	\$	3,580			
Dividends on non-vested restricted stock		(31)			
Stock		(31)			
Net income allocated to stockholders		3,549			
Basic earnings per share					
Income available to common					
stockholders			4,907,799	\$ <u>0.72</u>	
Effect of dilutive securities					
Restricted stock awards			108,521		
Diluted earnings per share					
Income available to common					
stockholders and assumed					
conversions	\$	3,549	<u>5,016,320</u>	\$ <u>0.71</u>	

December 31, 2016 and 2015

	Year Ended December 31, 2015 Weighted-				
		Net come	Average Shares	Per Share Amount	
		nousands)			
Net income	\$	3,224			
Dividends on non-vested restricted stock		(67)			
Net income allocated to stockholders		3,157			
Basic earnings per share Income available to common stockholders		_	4,856,735	\$ <u>0.65</u>	
Effect of dilutive securities Restricted stock awards			76,421		
Diluted earnings per share Income available to common stockholders and assumed conversions	\$	3,157	4,933,156	\$ <u>0.64</u>	

December 31, 2016 and 2015

Note 16: Disclosures about Fair Value of Financial Instruments and Other Assets and Liabilities

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

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

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

Available-for-sale Securities

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

December 31, 2016 and 2015

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

		December 31, 2016 Fair Value Measurements Using				
	Fair Value	Quoted F Active M for Ide Ass (Lev	Prices in Markets entical eets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		(In thousands)				
U.S government agencies	\$ 38,514	\$	_ 5	38,514	\$ —	
State and political subdivisions	1,252			1,252	_	
		December 31, 2015				
		Fair Value Measurements Using				
		Quoted F	Prices in	Significant		
		-			Oi audificant	
		Active N	Markets	Other	Significant	
	Fair	Active N	Markets entical	Other Observable	Unobservable	
	Fair Value	Active N	Markets entical eets	Other	•	
		Active Mor Ide	Markets entical eets	Other Observable Inputs (Level 2)	Unobservable Inputs	
U.S government agencies	\$	Active Mor Ide	Markets entical ets el 1)	Other Observable Inputs (Level 2) sands)	Unobservable Inputs	

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

Impaired Loans (Collateral Dependent)

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

December 31, 2016 and 2015

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

Foreclosed Assets Held for Sale

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

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

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

			December 31, 2016									
				ts Us	ing							
	Fair Value		Ac	oted Prices in tive Markets or Identical Assets (Level 1)	Significa Other Observal Inputs (Level 2	ole	Un	ignificant observable Inputs (Level 3)				
				(In tho	usands)							
Collateral dependent impaired loans	\$	3,435	\$	_	\$		\$	3,435				
Foreclosed assets held for sale	•	249	*		•	_	*	249				

December 31, 2016 and 2015

			December 31, 2015										
			Fair Value Measurements Using										
	Fair Value		Ac	oted Prices in tive Markets or Identical Assets (Level 1)	Ob	gnificant Other eservable Inputs Level 2)		Significant nobservable Inputs (Level 3)					
				(In tho	usand	s)							
Collateral dependent impaired loans	\$	641	\$	_	\$	_	\$	641					
Foreclosed assets held for sale		327		_		_		327					

Unobservable (Level 3) Inputs

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

	Fair Value at 12/31/16 Valuation Technique (In thousands)		Unobservable Inputs	Range	
Collateral-dependent impaired loans	\$	3,435	Market comparable properties	Comparability adjustments	Not available
Foreclosed assets held for sale		249	Market comparable properties	Marketability discount	10% – 35%
	1	Value at 2/31/15	Valuation Technique	Unobservable Inputs	Range
	(In th	ousands)			
Collateral-dependent impaired loans	\$	641	Market comparable properties	Comparability adjustments	Not available
Foreclosed assets held for sale		327	Market comparable properties	Marketability discount	10% – 35%

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

December 31, 2016 and 2015

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

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

December 31, 2016 and 2015

The classification of the assets and liabilities pursuant to the valuation hierarchy as of December 31, 2015 in the following table have not been audited. The fair value has been derived from the December 31, 2015 audited consolidated financial statements.

			Fair Value Measurements Using								
				oted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant nobservable Inputs (Level 3)			
				(In tho	usaı	nds)					
December 31, 2015											
Financial assets											
Cash and cash equivalents	\$	12,701	\$	12,701	\$		\$				
Loans, net of allowance		327,226		_		_		325,354			
Federal Home Loan Bank		4.010				4.210					
stock		4,210				4,210					
Accrued interest receivable		803				803					
Financial liabilities											
Deposits		323,622		_		307,172					
Short term borrowings		5,691				5,691					
Federal Home Loan Bank											
advances		26,530				27,347					
Subordinated debentures		4,124				3,238					
Interest payable		123		_		123					

December 31, 2016 and 2015

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

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

The carrying amounts approximate fair value.

Loans

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

Deposits

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

Interest Payable

The carrying amount approximates fair value.

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

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

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

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. Fair values of commitments were not material at December 31, 2016 and 2015.

December 31, 2016 and 2015

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

Note 18: Commitments and Credit Risk

At December 31, 2016 and 2015, total commercial and commercial real estate loans made up 74.6% and 70.0%, respectively, of the loan portfolio. Installment loans account for 4.03% and 5.3%, respectively, of the loan portfolio. Real estate loans comprise 21.4% and 24.7% of the loan portfolio as of December 31, 2016 and 2015, respectively, and primarily include first mortgage loans on residential properties and home equity lines of credit.

Included in cash and due from banks as of December 31, 2016 and 2015, is \$7.3 million and \$7.8 million, respectively, of deposits with the Federal Reserve Bank of Cleveland.

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2016 and 2015, the Company had outstanding commitments to originate variable rate loans aggregating approximately \$12.3 million and \$11.3 million, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

Mortgage loans in the process of origination represent amounts that the Company plans to fund within a normal period of 60 to 90 days, some of which are intended for sale to investors in the secondary market. The Company did not have any mortgage loans in the process of origination which are intended for sale at December 31, 2016 or 2015.

December 31, 2016 and 2015

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit are initially recorded by the Company as deferred revenue and are included in earnings at the termination of the respective agreements. Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

The Company did not have any total outstanding standby letters of credit at December 31, 2016 and 2015. At both December 31, 2016 and 2015, the Company had no deferred revenue under standby letter of credit agreements.

Lines of Credit and Other

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At December 31, 2016, the Company had granted unused lines of credit to borrowers aggregating approximately \$20.9 million and \$35.6 million for commercial lines and open-end consumer lines, respectively. At December 31, 2015, the Company had granted unused lines of credit to borrowers aggregating approximately \$18.6 million and \$36.4 million for commercial lines and open-end consumer lines, respectively.

December 31, 2016 and 2015

Note 19: Recent Accounting Pronouncements

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

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

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

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

ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of these amendments to the Company's financial position and results of operations and currently does not know or cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. The Allowance for Loan Losses (ALL) estimate is material to the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the

December 31, 2016 and 2015

Allowance for Loan Losses (ALL) estimate is material to the Company and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the ALL at adoption date. The Company is anticipating a significant change in the processes and procedures to calculate the ALL, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. In addition, the current accounting policy and procedures for the other-than-temporary impairment on available-for-sale securities will be replaced with an allowance approach. The Company is expecting to begin developing and implementing processes during the next two years to ensure it is fully compliant with the amendments at adoption date. For additional information on the allowance for loan losses. See Note 4.

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

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

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

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beginning after December 15, 2017. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity instruments that exist as of the date of adoption. The Company is currently evaluating the impact of these amendments, but does not expect them to have a material effect on the Company's financial position or results of operations since it does not have any equity securities or a valuation allowance. However, the amendments will have an impact on certain items that are disclosed at fair that are not currently utilizing the exit price notion when measuring fair value. At this time the Company cannot quantify the change in the fair value of such disclosures since the Company is currently evaluating the full impact of the Update and is in the planning stages of developing appropriate procedures and processes to comply with the disclosure requirements of such amendments. The current accounting policies and procedures will be modified after the Company has fully evaluated the standard to comply with the accounting changes mentioned above. For additional information on fair value of assets and liabilities, see Note 16.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-09). This update to the ASC is the culmination of efforts by the FASB and the International Accounting Standards Board (IASB) to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 supersedes Topic 605 - Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. Originally, the amendments in ASU 2014-09 were effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not allowed. In July 2015, the FASB extended the implementation date to annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Transitional guidance is included in the update. Earlier adoption is permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within that reporting period. The Company is in its preliminary stages of evaluating the impact of these amendments, although it doesn't expect the amendments to have a significant impact to the Company's financial position or results of operations. The amendments could potentially impact the accounting procedures and processes over the recognition of certain revenue sources, including, but not limited to, non-interest income. The Company is expecting to begin developing processes and procedures during 2017 to ensure it is fully compliant with these amendments at the date of adoption.

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

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

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

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

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

For public companies, the ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Thus, for a calendar year company, it would be effective January 1, 2019. The impact is not expected to have a material effect on the Company's financial position or results of operations since the Company does not have a material amount of lease agreements. The Company is currently in the process of fully evaluating the amendments and will subsequently implement new processes to comply with the ASU. In addition, the Company will change its current accounting practice to comply with the amendments and such changes as mentioned above.

Note 20: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

	December 31,						
		2016		2015			
		(In tho	usand	s)			
Assets							
Cash and cash equivalents	\$	4,644	\$	3,455			
Investment in the Bank		39,141		39,412			
Corporate owned life insurance		7					
Other assets	_	2,973		2,814			
Total assets	\$	46,765	\$	45,681			
Liabilities and Stockholders' Equity							
Subordinated debentures	\$	4,124	\$	4,124			
Other liabilities				61			
Stockholders' equity		42,641		41,496			
Total liabilities and stockholders' equity	\$	46,765	\$	45,681			

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Condensed Statements of Income and Comprehensive Income

	Ended		mber 31, 2015
	(In tho	usands	s)
Operating Income Dividends from subsidiary Interest and dividend income from securities and federal funds	\$ 3,550 <u>7</u>	\$	3,550 43
Total operating income	3,557		3,593
General, Administrative and Other Expenses	 1,651		1,755
Income Before Income Taxes and Equity in Undistributed Income of Subsidiary	1,906		1,838
Income Tax Benefits	 484		569
Income Before Equity in Undistributed Income of Subsidiary	2,390		2,407
Equity in Undistributed Income of Subsidiary	 1,190		817
Net Income	\$ 3,580	\$	3,224
Comprehensive Income	\$ 3,307	\$	2,986

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Condensed Statements of Cash Flows

	Ye	ears Ended 2016	Dece	ember 31, 2015
		(In the	usand	s)
Operating Activities				
Net income	\$	3,580	\$	3,224
Items not requiring (providing) cash				
Depreciation and amortization				13
Equity in undistributed income of subsidiary		(39)		(817)
Amortization of ESOP and share-based compensation plans		378		360
Gain on Corporate owned life insurance				(29)
Net change in other assets and other liabilities		(190)		(11)
Net cash provided by operating activities		3,729		2,740
Investing Activities				
Redemption of Corporate owned life insurance				347
Net cash provided by financing activities		<u></u>		347
Financing Activities				
Dividends paid to stockholders		(2,540)		(2,259)
Treasury stock –net				19
Net cash used in financing activities		(2,540)		(2,240)
Net Change in Cash and Cash Equivalents		1,189		847
Cash and Cash Equivalents at Beginning of Year		3,455		2,608
Cash and Cash Equivalents at End of Year	\$	4,644	\$	3,455

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Note 21: Quarterly Financial Data (Unaudited)

The following tables summarize the Company's quarterly results of operations for the years ended December 31, 2016 and 2015.

	Three Months Ended									
2016:	Ma	rch 31,		June 30,	Sep	tember 30,	Dec	cember 31,		
		(In th	ousands, exc	ept p	er share data	.)			
Total interest income Total interest expense	\$	4,038 475	\$	4,187 437	\$	4,166 432	\$	4,244 440		
Net interest income		3,563		3,750		3,734		3,804		
Provision (credit) for loan losses Other income General, administrative and other		71 867		105 902		131 1,056		(6) 856		
expense		3,141		3,251		3,345		3,333		
Income before income taxes Federal income taxes		1,218 373		1,296 389		1,314 386		1,333 432		
Net income	\$	845	\$	907	\$	928	\$	901		
Earnings per share Basic	\$	0.18	\$	0.18	\$	0.18	\$	0.18		
Diluted	\$	0.17	\$	0.18	\$	0.18	\$	0.18		

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	Three Months Ended									
2015:	Ma	rch 31,	Jı	ıne 30,	Septe	ember 30,	Dec	ember 31,		
		(In tho	usands, exc	ept pe	r share data)			
Total interest income Total interest expense	\$	3,859 581	\$	4,040 582	\$	4,118 578	\$	4,065 542		
Net interest income		3,278		3,458		3,540		3,523		
Provision for loan losses Other income Gain on sale of securities - net General, administrative and other		116 992 3,184		145 935 3,112		126 987 3,182		166 938 3,062		
expense		970		1,136		1,219		1,233		
Income before income taxes Federal income taxes		276		331		360		367		
Net income	\$	694	\$	805	\$	859	\$	866		
Earnings per share Basic	\$	0.14	\$	0.16	\$	0.17	\$	0.18		
Diluted	\$	0.14	\$	0.16	\$	0.17	\$	0.17		