TITAN INTERNATIONAL INC
Form 3
May 09, 2016

FORM 3

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

OMB APPROVAL	
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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Froisland James M
(Last) (First) (Middle)

2701 SPRUCE STREET
(Street)

QUINCY,Â ILÂ 62301
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
05/02/2016

3. Issuer Name **and** Ticker or Trading Symbol
TITAN INTERNATIONAL INC [TWI]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director
__X__ Officer (give title below)
_____ 10% Owner
_____ Other (specify below)
Interim CFO

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

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

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

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

SEC 1473 (7-02)

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

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Froisland James M 2701 SPRUCE STREET QUINCY,Â ILÂ 62301	Â	Â	Â Interim CFO	Â

Signatures

/s/ James M. Froisland	05/09/2016
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

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

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. erest expense and penalties in operating expenses. 9. Recent Accounting Pronouncements In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments - an amendment of FASB Statements No. 133 and 140," to simplify and make more consistent the accounting for certain financial instruments. Specifically, SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," to allow a qualifying special purpose entity to hold a derivative instrument that pertains to a beneficial interest other than another derivative financial instrument. 11 UNITED BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the three months ended March 31, 2007 and 2006 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 9. Recent Accounting Pronouncements (continued) SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Corporation, with earlier application allowed. The Corporation adopted SFAS No. 155 without material effect on the Corporation's financial position or results of operations. In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of SFAS No. 140," to simplify the accounting for separately recognized servicing assets and servicing liabilities. Specifically, SFAS No. 156 amends SFAS No. 140 to require an entity to take the following steps: - Separately recognize financial assets as servicing assets or servicing liabilities, each time it undertakes an obligation to service a financial asset by entering into certain kinds of servicing contracts; - Initially measure all separately recognized servicing assets and liabilities at fair value, if practicable, and; - Separately present servicing assets and liabilities subsequently measured at fair value in the statement of financial position and additional disclosure for all separately recognized servicing assets and servicing liabilities. Additionally, SFAS No. 156 permits, but does not require, an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. SFAS No. 156 also permits a servicer that uses derivative financial instruments to offset risks on servicing to use fair value measurement when reporting both the derivative financial instrument and related servicing asset or liability. SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Company, with earlier application permitted. The Company adopted SFAS No. 156 utilizing the amortization method without effect on the Company's financial position

or results of operations. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement emphasizes that fair value is a market-based measurement and should be determined based on assumptions that a market participant would use when pricing an asset or liability. This Statement clarifies that market participant assumptions should include assumptions about risk as well as the effect of a restriction on the sale or use of an asset. Additionally, this Statement establishes a fair value hierarchy that provides the highest priority to quoted prices in active markets and the lowest priority to unobservable data. This Statement is effective for fiscal years beginning after November 15, 2007, or January 1, 2008 as to the Company, and interim periods within that fiscal year. The adoption of this Statement is not expected to have a material adverse effect on the Company's financial position or results of operations. 12 UNITED BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the three months ended March 31, 2007 and 2006 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 9. Recent Accounting Pronouncements (continued) In September 2006, the FASB ratified the Emerging Issues Task Force's (EITF) Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," which requires companies to recognize a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee extending to postretirement periods. The liability should be recognized based on the substantive agreement with the employee. This Issue is effective beginning January 1, 2008. The Issue can be applied as either a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, or a change in accounting principle through retrospective application to all periods. The Company is in the process of evaluating the impact the adoption of Issue 06-4 will have on the financial statements. In September 2006, the FASB ratified a consensus opinion reached by the EITF on EITF Issue 06-5, "Accounting for Purchases of Life Insurance - Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No. 85-4." The guidance in EITF Issue 06-5 requires policyholders to consider other amounts included in the contractual terms of an insurance policy, in addition to cash surrender value, for purposes of determining the amount that could be realized under the terms of the insurance contract. If it is probable that contractual terms would limit the amount that could be realized under the insurance contract, those contractual limitations should be considered when determining the realizable amounts. The amount that could be realized under the insurance contract should be determined on an individual policy (or certificate) level and should include any amount realized on the assumed surrender of the last individual policy or certificate in a group policy The Company holds several life insurance policies, however, the policies do not contain any provisions that would restrict or reduce the cash surrender value of the policies. The consensus in EITF Issue 06-5 is effective for fiscal years beginning after December 15, 2006. The Company applied the guidance in EITF Issue 06-5 effective January 1, 2007 which did not have any effect on the Company's financial statements. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115." This Statement allows companies the choice to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, or January 1, 2008 as to the Company, and interim periods within that fiscal year. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, "Fair Value Measurements." The Company is currently evaluating the impact the adoption of SFAS No. 159 will have on the financial statements. 13 UNITED BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the three months ended March 31, 2007 and 2006 NOTE B - ALLOWANCE FOR LOAN LOSSES The activity in the allowance for loan losses was as follows: THREE MONTHS ENDED MARCH 31, ----------------- 2007 2006 ------ ------ (In thousands) Beginning balance $2,345 $2,904 Provision for loan losses 183 102 Loans charged-off (194) (95) Recoveries of previous charge-offs 48 77 ------ ------ Ending balance $2,382 $2,988 ====== ====== Nonperforming loans were as follows: MARCH 31, DECEMBER 31, 2007 2006 --------- ------------ Loans past due over 90 days still accruing $ 927 $ 55 Nonaccrual loans 2,538 3,396 NOTE C - BENEFIT PLANS Pension expense includes the following: THREE

MONTHS ENDED MARCH 31, ----------------- 2007 2006 ---- ---- (In thousands) Service cost $ 65 $ 56 Interest cost 46 40 Expected return on assets (54) (43) Amortization of prior service cost, transition liability, net loss, plan amendments and other 15 7 ---- ---- Pension expense $ 72 $ 60 ==== ==== During the three months ended March 31, 2007, there were no recognized gains or losses nor any gains or losses due to settlements or curtailments. The Company amortized $7 of pre-tax prior service cost against accumulated comprehensive loss during the three months ended March 31, 2007. 14 UNITED BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the three months ended March 31, 2007 and 2006 NOTE D - OFF-BALANCE SHEET ACTIVITIES Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contracts are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. A summary of the notional or contractual amounts of financial instruments with off-balance sheet risk at the indicated dates is as follows: MARCH 31, 2007 DECEMBER 31, (Unaudited) 2006 ----------- ------------- (In thousands) Commitments to extend credit $28,042 $33,429 Credit card and ready reserve lines 12,739 12,666 Standby letters of credit 707 707 15 UNITED BANCORP, INC. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following discusses the financial condition of the Company as of March 31, 2007, as compared to December 31, 2006, and the results of operations for the three months ended March 31, 2007, compared to the same period in 2006. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein. FORWARD-LOOKING STATEMENTS When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Banks' market areas, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Banks' market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any statements expressed with respect to future periods. The Company is not aware of any trends, events or uncertainties that will have or are reasonably likely to have a material effect on its liquidity or capital resources except as discussed herein. The Company is not aware of any current recommendation by regulatory authorities that would have such effect if implemented. The Company does not undertake, and specifically disclaims any obligation, to publicly revise any forward-looking statements to reflect events or circumstances after the date such statements were made or to reflect the occurrence of anticipated or unanticipated events. CRITICAL ACCOUNTING POLICIES Management makes certain judgments that affect the amounts reported in the financial statements and footnotes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements, and as this information changes, the financial statements could reflect different estimates, assumptions, and judgment. The procedures for assessing the adequacy of the allowance for loan losses reflect our evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, development affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses. The allowance is regularly reviewed by management and the board to determine whether the amount is considered adequate to absorb probable losses. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based on the size, quality and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay and current economic and industry conditions. Also considered as part of that judgment is a review of each bank's trend in delinquencies and loan losses, and economic factors. 16 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) CRITICAL

ACCOUNTING POLICIES (continued) The allowance for loan losses is maintained at a level believed adequate by management to absorb probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance is an estimate based on management's current judgment about the credit quality of the loan portfolio. While the Company strives to reflect all known risk factors in its evaluation, judgment errors may occur. ANALYSIS OF FINANCIAL CONDITION Earning Assets - Loans At March 31, 2007, gross loans were $227.1 million, compared to $231.5 million at year-end 2006, a decrease of $4.4 million, or 1.9%. The decrease in total outstanding loans was the result of a decrease in the commercial portfolio. Management attributes the decrease in loans to the sluggish loan demand in the markets served. Installment loans represented 17.6% of total loans at March 31, 2007, compared to 18.0% at December 31, 2006. This indirect lending type of financing carries somewhat more risk than real estate lending, however, it also provides for higher yields. The targeted lending areas encompass four metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's 17 branch locations. Commercial and commercial real estate loans comprised 58.2% of total loans at March 31, 2007 compared to 57.6% at December 31, 2006. Commercial and commercial real estate loans have decreased $1.3 million, or 1.0% since December 31, 2006. The Company has originated and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company's primary market area. Real estate loans were 24.0% of total loans at March 31, 2007 and 24.3% at year-end 2006. Real estate loans decreased by 2.9% or $1.6 million since December 31, 2006. Real estate lending for the three months of 2007 has been extremely slow with respect to the Company's adjustable rate mortgage products. As of March 31, 2007, the Banks have approximately $34.1 million in fixed rate loans that they service for a fee that is typically 25 basis points. The allowance for loan losses represents the amount which management and the Board of Directors estimates is adequate to provide for probable losses inherent in the loan portfolio. The allowance balance and the provision charged to expense are reviewed by management and the Board of Directors monthly using a risk evaluation model that considers borrowers' past due experience, economic conditions and various other circumstances that are subject to change over time. Management believes the current balance of the allowance for loan losses is adequate to absorb probable incurred credit losses associated with the loan portfolio. Net charge-offs for the three months ended March 31, 2007 were approximately $146,000, or 6.2%, of the beginning balance in the allowance for loan losses. 17 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) ANALYSIS OF FINANCIAL CONDITION (CONTINUED) Earning Assets - Securities and Federal Funds Sold The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of states and political subdivisions and certain other investments. The Company does not hold any collateralized mortgage-backed securities other than those issued by U.S. government agencies, or derivative securities. The quality rating of obligations of state and political subdivisions within Ohio is no less than Aaa, Aa or A, with all out-of-state bonds rated at AAA. Board policy permits the purchase of certain non-rated bonds of local schools, townships and municipalities, based on their estimated levels of credit risk. Securities available for sale at March 31, 2007 increased approximately $6.7 million, or 5.0% from year-end 2006 totals. This growth partially reflects deployment of the Company's increased deposits. Securities held to maturity at March 31, 2007 decreased approximately $592,000, or 3.3% compared to year-end 2006 totals. Sources of Funds - Deposits The Company's primary source of funds is core deposits from retail and business customers. These core deposits include all categories of interest-bearing and noninterest-bearing deposits, excluding certificates of deposit greater than $100,000. For the period ended March 31, 2007, total core deposits increased approximately $9.2 million, or 3.2%. The Company's interest-bearing demand deposits increased $9.8 million, or 9.8%, noninterest-bearing demand deposits decreased $1.5 million, or 6.3% while certificates of deposits under $100,000 increased by $1.6 million, or 1.2%. As part of a strategic focus to grow deposits the Banks have introduced premium rate money market index accounts. The Company has a strong deposit base from public agencies, including local school districts, city and township municipalities, public works facilities and others that may tend to be more seasonal in nature resulting from the receipt and disbursement of state and federal grants. These entities have maintained fairly static balances with the Company due to various funding and disbursement timeframes. Certificates of deposit greater than $100,000 are not considered part of core deposits and as such are used to balance rate sensitivity as a tool of funds management. At March 31, 2007, certificates of deposit greater than $100,000 decreased $1.2 million, or 2.7%, from year-end 2006 totals. Sources of Funds - Securities Sold under Agreements to Repurchase and Other Borrowings Other interest-bearing liabilities include securities sold under agreements to repurchase, sweep accounts, federal funds purchased, Treasury, Tax and Loan notes payable and Federal Home Loan Bank ("FHLB") advances. In the first three months of 2007, the Company continued to utilize the FHLB programs to manage interest rate risk and liquidity positions. The majority of the Company's repurchase agreements are with local school districts and city and county governments. As a result of the Company's growth in deposits in 2007, total borrowings, including federal funds purchased, decreased approximately $5.5 million, or 10.1% from year-end 2006 totals. 18 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006 Net Income Basic and diluted earnings per share for the three months ended March 31, 2007 totaled $0.16, compared with $0.15, for the three months ended March 31, 2006, an increase of 6.7%. In dollars, the Company's net income increased by $16,000, or 2.3%, for the three months ended March 31, 2007, compared to the same quarter in 2006. Net Interest Income Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income decreased 6.5%, or $205,000, for the three months ended March 31, 2007 compared to the same period in 2006 due to continued downward pressure on the net interest margin due to a continuation of the flat yield curve environment. Total interest income for the three months ended March 31, 2007, was $6.4 million compared to $6.0 million for the same period in 2006, an increase of $441,000, or 7.4%. The increase can be attributed to the overall higher yield of the loan portfolio due to increasing interest rates. Total interest expense for the three months ended March 31, 2007 when compared to the same three-month period ended March 31, 2006, increased by 22.8%, or $646,000. The Company has experienced an increase in interest expense due to growth in interest-bearing liabilities, as well as the effect of a higher interest rate environment in 2007 as compared to 2006. Provision for Loan Losses The provision for loan losses was $183,000 for the three months ended March 31, 2007 compared to $102,000 for the same period in 2006. The increase in loan loss provision for the three month period ended March 31, 2007 is primarily due to increased net charge-offs period to period. In April 2007, the Company recovered approximately $100,000 related to nonperforming assets. Noninterest Income Total noninterest income is made up of bank related fees and service charges, as well as other income producing services provided, sale of secondary market loans, ATM income, early redemption penalties for certificates of deposit, safe deposit rental income, internet bank service fees, earnings on bank-owned life insurance and other miscellaneous items. Noninterest income for the three months ended March 31, 2007 was $668,000 compared to $612,000 for the same three-month period ended March 31, 2006, an increase of approximately 9.2%, or $56,000. During the three-months ended March 31, 2007, the increase in noninterest income was primarily driven by increase of $48,000 related to service charge on deposit accounts. 19 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006 Noninterest Expense Noninterest expense for the three months ended March 31, 2007 decreased $179,000, or 6.4%, from the three months ended March 31, 2006. Salaries and employee benefits expense decreased $43,000, or 2.9% mainly due to reduced levels of staff. Other noninterest expenses decreased $123,000 which included decreases in data communication expenses, merchant interchange and expenses related to other real estate owned. CAPITAL RESOURCES Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Shareholders' equity at March 31, 2007, totaled $32.8 million compared to $32.6 million at December 31, 2006, a 0.6% increase. Total shareholders' equity in relation to total assets was 7.8% at March 31, 2007 and 7.7% at December 31, 2006. In 2001, our shareholders approved an amendment to the Company's Articles of Incorporation to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The amendment also provides greater flexibility to the Board of Directors in structuring the terms of equity securities that may be issued by the Company. Although this preferred stock is a financial tool, it has not been utilized to date. The Company has a Dividend Reinvestment Plan ("The Plan") for shareholders under which the Company's common stock will be purchased by the Plan for participants with automatically reinvested dividends. The Plan does not represent a change in the Company's dividend policy or a guarantee of future dividends. The Company is subject to the regulatory requirements of The Federal Reserve System as a multi-bank holding company. The affiliate banks are subject to regulations of the Federal Deposit Insurance Corporation (FDIC) and the State of Ohio, Division of Financial Institutions. The most important of these various regulations address capital adequacy. The minimums related to such capital requirements are: TOTAL TIER 1 TIER 1 CAPITAL TO CAPITAL TO CAPITAL TO RISK-WEIGHTED RISK-WEIGHTED AVERAGE ASSETS ASSETS ASSETS ------------- ------------- ---------- Well capitalized 10.00% 6.00% 5.00% Adequately capitalized 8.00% 4.00% 4.00% Undercapitalized 6.00% 3.00% 3.00% 20 UNITED BANCORP, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) CAPITAL RESOURCES (CONTINUED) The following table illustrates the Company's well-capitalized classification at March 31, 2007 MARCH 31, 2007 (Unaudited) (Dollars in thousands) --------------------- Tier 1 capital $ 38,407 Total risk-based capital 40,790 Risk-weighted assets 257,839 Average total assets 414,720 Total risk-based capital ratio 15.82% Tier 1 risk-based capital ratio 14.90% Tier 1 capital to average assets 9.26% LIQUIDITY Management's objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of its customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net earnings, loan payments, maturing securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to, the purchase of federal funds, the ability to borrow funds under line of credit agreements with correspondent banks, a borrowing agreement with the Federal Home Loan Bank of Cincinnati and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy and profitability to meet the current and projected liquidity needs of its customers. INFLATION Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with generally accepted accounting principles of the United States of America ("GAAP"). GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, impaired loans and other real estate loans that are measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss. Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other, but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance. 21 UNITED BANCORP, INC. ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. ITEM 4. CONTROLS AND PROCEDURES The Company, under the supervision, and with the participation, of its management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the requirements of Exchange Act Rule 13a-15e. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2007 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. There was no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. 22 UNITED BANCORP, INC. PART II - OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS None, other than ordinary routine litigation incidental to the Company's business. ITEM 1A. RISK FACTORS There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's for 10K for the year ended December 31, 2006, filed on March 30, 2007. ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS ISSUER PURCHASES OF EQUITY SECURITIES (c) (d) Total Number of Maximum Number or Shares (or Units) Approximate Dollar Value) of (a) Purchased as Part Shares (or Total Number of (b) Of Publicly Units) that May Yet Be Shares (or Units) Average Price Paid Announced Plans Purchased Under the Plans or Period Purchased Per Share (or Unit) Or Programs Programs ------ ---------------- ------------------ ---------------- --------------------------- Month #1 13,363 11.21 13,363 $1,793,734 1/1/2007 to 1/31/2007 Month #2 5,276 10.61 5,276 $1,737,738 2/1/2007 to 2/28/2007 Month #3 4,600 10.81 4,600 $1,687,999 3/1/2007 to 3/31/2007 United Bancorp maintains a stock repurchase program publicly announced by a press release issued on November 21, 2006, under which its Board of Directors authorized management to cause the Company to purchase up to $2 million of its common shares over a two-year period. Such authorization will expire on November 21, 2008. The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and certain senior executive officers. Under the Plan, eligible participants may defer fees payable to them by the Company, which fees are used to acquire common shares which are credited to a participant's respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant's account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company's stock. On March 11, 2007, the Company allocated a total of 2,532 common shares to participant accounts for the aggregate purchase price of $26,586. No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof. ITEM 3. DEFAULTS UPON SENIOR SECURITIES Not applicable. 23 UNITED BANCORP, INC. PART II - OTHER INFORMATION (CONTINUED) ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS None. ITEM 5. OTHER INFORMATION None. ITEM 6. EXHIBITS Exhibit No. 3.1 Amended Articles of Incorporation of United Bancorp, Inc.(1) 3.2 Amended Code of Regulations of United Bancorp, Inc.(2) 4.0 Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2) 31.1 Rule 13a-14(a) Certification - CEO 31.2 Rule 13a-14(a) Certification - CFO 32.1 Section 1350 Certification - CEO 32.2 Section 1350 Certification - CFO (1) Incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. (2) Incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 24 UNITED BANCORP, INC. SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. /s/ United Bancorp, Inc. Date: May 15, 2007 By: /s/ James W. Everson ----------------------------------- James W. Everson Chairman, President & Chief Executive Officer Date: May 15 2007 By: /s/ Randall M. Greenwood ----------------------------------- Randall M. Greenwood Senior Vice President, Chief Financial Officer and Treasurer 25 EXHIBIT INDEX Exhibit No. Description ----------- ----------- 3.1 Amended Articles of Incorporation of United Bancorp, Inc. incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 3.2 Amended Code of Regulations of United Bancorp, Inc. incorporated by reference to Appendix C to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001. 4.0 Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2) 31.1 Rule 13a-14(a) Certification - Principal Executive Officer 31.2 Rule 13a-14(a) Certification - Principal Financial Officer 32.1 Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley act of 2002. 32.2 Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.