

CPP ANNUAL USE OF CAPITAL SURVEY - 2012

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

United Bancorp, Inc.

Person to be contacted regarding this report:	Randal J. Rabe	RSSD: (For Bank Holding Companies)	1135516
UST Sequence Number:	448	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,600,000	FDIC Certificate Number: (For Depository Institutions)	13177
CPP/CDCI Funds Repaid to Date:	20,600,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Jan 16, 2009	City:	Ann Arbor
Date Repaid ¹ :	Jun 19, 2012	State:	Michigan

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	With the CPP capital, United was able to continue lending in its communities although there was stagnant demand for the type of lending that the Company's bank holds in its portfolio. More detail regarding United's 2012 lending activities is provided below.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Due to the difficult economic conditions in Michigan, United's net charge-offs increased from \$8.6 million in 2008 to \$24.1, \$16.4, \$16.7, and \$6.4 million in 2009, 2010, 2011 and 2012, respectively.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Out of the total CPP capital of \$20.6 million, \$15.6 million was invested into the subsidiary bank during 2009 and the remainder was invested into the bank during 2010.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

United Bancorp, Inc. is a \$908 million bank holding company that is the parent company for United Bank & Trust. The subsidiary bank operates seventeen banking offices in southeast Michigan, and maintains an active wealth management group that serves the company's market areas. United received \$20.6 million in capital from the United States Department of Treasury on January 16, 2009.

In 2012, the Company recorded net income of \$4.5 million after reporting a combined net loss of \$11.6 million in 2009-2011 as difficult economic conditions in Michigan led to a continued high level of provision for loan loss. The CPP capital allowed the Company and its subsidiary bank to maintain capital levels that were above the regulatory minimum "well-capitalized" level during 2009-2012. In spite of this additional capital, the Company's outstanding loan balances declined during the three years from 2008 to 2011 by \$133 million. Over 40% of this decrease resulted from the charge-off of uncollectible loans. In addition, economic conditions have reduced demand for the type of lending that the Company's bank holds in its portfolio. By receiving the CPP capital, the Company and its bank were able to remain active lenders to personal and business clients in its communities and avoided having to substantially reduce its lending function. We were able to increase our outstanding loan balances in 2012 by \$23 million.

Because of the aforementioned economic conditions facing our personal and business borrowers, many of them were not able to continue to make payments of principal and interest according to the original loan terms. Because the CPP provided capital support to these loans, the Company was able to work with willing borrowers to restructure loans and to attempt to work through the payment problems through forbearance agreements. Without the CPP capital, the Company may have needed to more quickly push loans into foreclosure.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As mentioned above, with the CPP Capital, United was able to continue lending in its communities. During 2012:

1. United closed 2,086 mortgage loans for over \$398 million; 723 families obtained a new home while 1,363 families were able to refinance their home loans, often decreasing their monthly payments.
2. United closed \$28.6 million of consumer loans.
3. United closed \$101.9 million of business loans, primarily to small businesses in its communities.
4. Through its SBA lending unit, United Structured Finance Company, United closed \$24.6 million of SBA loans and was the leading SBA lender in its markets.

It is also important to note what we haven't done with the CPP capital. We have not used it for executive bonuses, as no executive bonuses were paid for 2009, 2010, 2011 or 2012. Also, we did not use it for salary increases as we did not increase employee salaries in 2009 or 2010. In addition, we are not using it for dividends to our common shareholders as we suspended our cash dividend to common shareholders beginning with the second quarter of 2009.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

N/A

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.