

# Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-16540

## UNITED BANCORP, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of  
incorporation or organization)

34-1405357

(IRS Employer Identification No.)

201 South Fourth Street, Martins Ferry, Ohio 43935-0010

(Address of principal executive offices)

(740) 633-0445

(Registrant's telephone number, including area code)

N/A

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

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

Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 3(a) of the Exchange Act.

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

Yes  No

Indicate the number of shares outstanding of the issuer's classes of common stock as of the latest practicable date: As of August 6, 2018, 5,383,938 shares of the Company's common stock, \$1.00 par value, were issued and outstanding.

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ITEM 1. Financial Statements

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

|  | June 30,<br>2018<br>(Unaudited) | December 31,<br>2017 |
|--|---------------------------------|----------------------|
| <b>Assets</b>  |                                 |                      |
| Cash and due from banks  | \$ 4,611                        | \$ 4,662             |
| Interest-bearing demand deposits   | 11,697                          | 9,653                |
| Cash and cash equivalents  | 16,308                          | 14,315               |
| Available-for-sale securities  | 86,212                          | 44,959               |
| Loans, net of allowance for loan losses of \$2,080 and \$2,122 at June 30, 2018 and December 31, 2017, respectively  | 377,433                         | 366,467              |
| Premises and equipment   | 11,817                          | 11,740               |
| Federal Home Loan Bank stock   | 4,164                           | 4,164                |
| Foreclosed assets held for sale, net   | 615                             | 397                  |
| Accrued interest receivable  | 1,275                           | 993                  |
| Deferred income taxes  | 495                             | 349                  |
| Bank-owned life insurance  | 12,263                          | 12,114               |
| Other assets   | 4,219                           | 3,834                |
| Total assets   | <u>\$ 514,801</u>               | <u>\$ 459,332</u>    |
| <b>Liabilities and Stockholders' Equity</b>  |                                 |                      |
| <b>Liabilities</b>   |                                 |                      |
| Deposits   |                                 |                      |
| Demand   | \$ 262,953                      | \$ 237,980           |
| Savings  | 83,838                          | 82,169               |
| Time   | 68,843                          | 65,817               |
| Total deposits   | 415,634                         | 385,966              |
| Securities sold under repurchase agreements  | 12,346                          | 11,085               |
| Federal Home Loan Bank advances  | 33,768                          | 10,022               |
| Subordinated debentures  | 4,124                           | 4,124                |
| Interest payable and other liabilities   | 3,944                           | 4,240                |
| Total liabilities  | <u>469,816</u>                  | <u>415,437</u>       |
| <b>Stockholders' Equity</b>  |                                 |                      |
| Preferred stock, no par value, authorized 2,000,000 shares; no shares issued   | —                               | —                    |
| Common stock, \$1 par value; authorized 10,000,000 shares; issued 2018 – 5,560,304 shares, 2017 – 5,435,304 shares; outstanding 2018 – 5,383,938, 2017 – 5,244,105 | 5,560                           | 5,435                |
| Additional paid-in capital   | 17,927                          | 18,020               |
| Retained earnings  | 24,177                          | 23,260               |
| Stock held by deferred compensation plan; 2018 – 170,622 shares, 2017 – 185,355 shares   | (1,579)                         | (1,671)              |
| Unearned ESOP compensation   | (543)                           | (683)                |
| Accumulated other comprehensive loss   | (511)                           | (420)                |
| Treasury stock, at cost  |                                 |                      |
| 2018 – 5,744 shares, 2017 – 5,744 shares   | (46)                            | (46)                 |
| Total stockholders' equity   | <u>44,985</u>                   | <u>43,895</u>        |
| Total liabilities and stockholders' equity   | <u>\$ 514,801</u>               | <u>\$ 459,332</u>    |

See Notes to Condensed Consolidated Financial Statements

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

|   | Three months ended<br>June 30, |               | Six months ended<br>June 30, |                 |
|---|--------------------------------|---------------|------------------------------|-----------------|
|   | 2018                           | 2017          | 2018                         | 2017            |
| <b>Interest and dividend income</b>                                     |                                |               |                              |                 |
| Loans, including fees   | \$ 4,562                       | \$ 4,095      | \$ 8,893                     | \$ 8,112        |
| Taxable securities  | 181                            | 109           | 355                          | 212             |
| Non-taxable securities  | 281                            | 1             | 313                          | 7               |
| Federal funds sold  | 24                             | 36            | 51                           | 47              |
| Dividends on Federal Home Loan Bank stock and other                     | 59                             | 49            | 120                          | 96              |
| <b>Total interest and dividend income</b>                               | <b>5,107</b>                   | <b>4,290</b>  | <b>9,732</b>                 | <b>8,474</b>    |
| <b>Interest expense</b>   |                                |               |                              |                 |
| Deposits  |                                |               |                              |                 |
| Demand  | 302                            | 115           | 544                          | 187             |
| Savings   | 9                              | 10            | 19                           | 19              |
| Time  | 222                            | 170           | 427                          | 318             |
| Borrowings  | 174                            | 143           | 240                          | 352             |
| <b>Total interest expense</b>   | <b>707</b>                     | <b>438</b>    | <b>1,230</b>                 | <b>876</b>      |
| <b>Net interest income</b>  | <b>4,400</b>                   | <b>3,852</b>  | <b>8,502</b>                 | <b>7,598</b>    |
| <b>Provision for loan losses</b>  |                                |               |                              |                 |
|   | 72                             | 25            | 129                          | 50              |
| <b>Net interest income after provision for loan losses</b>              | <b>4,328</b>                   | <b>3,827</b>  | <b>8,373</b>                 | <b>7,548</b>    |
| <b>Noninterest income</b>   |                                |               |                              |                 |
| Service charges on deposit accounts                                     | 650                            | 632           | 1,281                        | 1,229           |
| Realized gains on sales of loans  | 23                             | 29            | 37                           | 44              |
| Other income  | 215                            | 208           | 450                          | 428             |
| <b>Total noninterest income</b>   | <b>888</b>                     | <b>869</b>    | <b>1,768</b>                 | <b>1,701</b>    |
| <b>Noninterest expense</b>  |                                |               |                              |                 |
| Salaries and employee benefits  | 1,876                          | 1,824         | 3,708                        | 3,592           |
| Net occupancy and equipment expense                                     | 547                            | 510           | 1,087                        | 1,033           |
| Professional services   | 297                            | 194           | 489                          | 395             |
| Insurance   | 105                            | 72            | 208                          | 139             |
| Deposit insurance premiums  | 26                             | 44            | 75                           | 88              |
| Franchise and other taxes   | 102                            | 96            | 198                          | 180             |
| Advertising   | 125                            | 100           | 262                          | 209             |
| Stationery and office supplies  | 38                             | 33            | 74                           | 69              |
| Net realized (gain) loss on sale of other real estate and repossessions | 5                              | (4)           | 5                            | (4)             |
| Other expenses  | 633                            | 496           | 1,227                        | 998             |
| <b>Total noninterest expense</b>  | <b>3,754</b>                   | <b>3,365</b>  | <b>7,333</b>                 | <b>6,699</b>    |
| <b>Income before federal income taxes</b>                               | <b>1,462</b>                   | <b>1,331</b>  | <b>2,808</b>                 | <b>2,550</b>    |
| <b>Federal income taxes</b>   |                                |               |                              |                 |
|   | 250                            | 415           | 448                          | 784             |
| <b>Net income</b>   | <b>\$ 1,212</b>                | <b>\$ 916</b> | <b>\$ 2,360</b>              | <b>\$ 1,766</b> |
| <b>EARNINGS PER COMMON SHARE</b>  |                                |               |                              |                 |
| Basic   | \$ 0.24                        | \$ 0.18       | \$ 0.46                      | \$ 0.35         |
| Diluted   | \$ 0.22                        | \$ 0.18       | \$ 0.44                      | \$ 0.35         |
| <b>DIVIDENDS PER COMMON SHARE</b>                                       |                                |               |                              |                 |
|   | \$ 0.13                        | \$ 0.11       | \$ 0.26                      | \$ 0.22         |

See Notes to Condensed Consolidated Financial Statements

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

|   | Three months ended<br>June 30, |                 | Six months ended<br>June 30, |                 |
|---|--------------------------------|-----------------|------------------------------|-----------------|
|   | 2018                           | 2017            | 2018                         | 2017            |
| Net income  | \$ 1,212                       | \$ 916          | \$ 2,360                     | \$ 1,766        |
| Unrealized holding gains (losses) on securities during the period, net of tax (benefits) of \$21, \$48, (\$26) and \$128 for each respective period | 79                             | 93              | (91)                         | 248             |
| Comprehensive income  | <u>\$ 1,291</u>                | <u>\$ 1,009</u> | <u>\$ 2,269</u>              | <u>\$ 2,014</u> |

*See Notes to Condensed Consolidated Financial Statements*

**United Bancorp, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

|  | Six months ended<br>June 30, |              |
|--|------------------------------|--------------|
|  | 2018                         | 2017         |
| <b>Operating Activities</b>                                |                              |              |
| Net income   | \$ 2,360                     | \$ 1,766     |
| Items not requiring (providing) cash                       |                              |              |
| Accretion of premiums and discounts on securities, net     | 36                           | —            |
| Depreciation and amortization                              | 476                          | 453          |
| Expense related to share based compensation plans          | 124                          | 52           |
| Expense related to ESOP                                    | 140                          | 140          |
| Provision for loan losses                                  | 129                          | 50           |
| Increase in value of bank-owned life insurance             | (149)                        | (154)        |
| Gain on sale of loans                                      | (37)                         | (44)         |
| Proceeds from sale of loans held for sale                  | 1,800                        | 2,050        |
| Originations of loans held for sale                        | (1,763)                      | (2,006)      |
| (Gain) Loss on sale or write down of foreclosed assets     | 13                           | (4)          |
| Amortization of mortgage servicing rights                  | 15                           | 3            |
| Net change in accrued interest receivable and other assets | (838)                        | (1,464)      |
| Net change in accrued expenses and other liabilities       | (296)                        | 501          |
|  | <u>2,010</u>                 | <u>1,343</u> |
| <b>Investing Activities</b>                                |                              |              |
| Securities available for sale:                             |                              |              |
| Maturities, prepayments and calls                          | —                            | 1,249        |
| Purchases  | (41,403)                     | —            |
| Net change in loans  | (11,309)                     | (866)        |
| Purchases of premises and equipment                        | (552)                        | (429)        |
| Proceeds from sale of foreclosed assets                    | 15                           | —            |
|  | <u>(53,249)</u>              | <u>(46)</u>  |

*See Notes to Condensed Consolidated Financial Statements*

**United Bancorp, Inc.**  
**Condensed Consolidated Statements of Cash Flows (continued)**  
(In thousands)  
(Unaudited)

|   | Six months ended<br>June 30, |                  |
|---|------------------------------|------------------|
|   | 2018                         | 2017             |
| <b>Financing Activities</b>   |                              |                  |
| Net change in deposits  | \$ 29,668                    | \$ 35,112        |
| Net change in securities sold under repurchase agreements                     | 1,261                        | 3,596            |
| Net change in FHLB overnight borrowings                                       | 23,800                       | (19,500)         |
| Repayments of long-term borrowings  | (54)                         | (10,068)         |
| Cash dividends paid on common stock   | (1,443)                      | (1,194)          |
| Net cash provided by financing activities                                     | <u>53,232</u>                | <u>7,946</u>     |
| <b>Increase in Cash and Cash Equivalents</b>                                  | 1,993                        | 9,243            |
| <b>Cash and Cash Equivalents, Beginning of Period</b>                         | <u>14,315</u>                | <u>11,541</u>    |
| <b>Cash and Cash Equivalents, End of Period</b>                               | <u>\$ 16,308</u>             | <u>\$ 20,784</u> |
| <b>Supplemental Cash Flows Information</b>                                    |                              |                  |
| Interest paid on deposits and borrowings                                      | <u>\$ 1,176</u>              | <u>\$ 906</u>    |
| Federal income taxes paid   | <u>\$ 65</u>                 | <u>\$ 278</u>    |
| <b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b> |                              |                  |
| Transfers from loans to foreclosed assets held for sale                       | <u>\$ 250</u>                | <u>\$ 41</u>     |

*See Notes to Condensed Consolidated Financial Statements*



**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

**Note 1: Summary of Significant Accounting Policies**

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. ("Company") at June 30, 2018, and its results of operations and cash flows for the interim periods presented. All such adjustments are normal and recurring in nature. The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not purport to contain all the necessary financial disclosures required by accounting principles generally accepted in the United States of America that might otherwise be necessary in the circumstances and should be read in conjunction with the Company's consolidated financial statements and related notes for the year ended December 31, 2017 included in its Annual Report on Form 10-K. Reference is made to the accounting policies of the Company described in the Notes to the Consolidated Financial Statements contained in its Annual Report on Form 10-K. The results of operations for the three months and six months ended June 30, 2018, are not necessarily indicative of the results to be expected for the full year. The condensed consolidated balance sheet of the Company as of December 31, 2017 has been derived from the audited consolidated balance sheet of the Company as of that date.

***Principles of Consolidation***

The consolidated financial statements include the accounts of United Bancorp, Inc. ("United" or "the Company") and its wholly-owned subsidiary, Unified Bank of Martins Ferry, Ohio ("the 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. Unified Bank conducts its business through its main office in Martins Ferry, Ohio and branches in Amesville, Bridgeport, Colerain, Dellroy, Dillonvale, Dover, Glouster, Jewett, Lancaster Downtown, Lancaster East, Nelsonville, New Philadelphia, St. Clairsville East, St. Clairsville West, Sherrodsville, Strasburg and Tiltonsville, Ohio. The Bank also operates a Loan Production Office in Wheeling, West Virginia.

The Company's primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate and are not considered "sub prime" type loans. The targeted lending areas of our Bank operations encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's branch locations.

Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary and fiscal policies, that are outside of management's control.

**Revenue Recognition**

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans, investment securities, as well as revenue related to our mortgage banking activities, as these activities are subject to other GAAP discussed elsewhere within our disclosures.

Descriptions of our revenue-generating activities that are within the scope of ASC 606, which are presented in our income statements as components of non-interest income are as follows:

Service charges on deposit accounts - these represent general service fees for monthly account maintenance and activity- or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

***Use of Estimates***

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

***Loans***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or 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.

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

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

The allowance for loan losses is evaluated on a regular basis by 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.

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

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. 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.

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.

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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.

**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.

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

|   | Three months ended<br>June 30,                  |                  | Six months ended<br>June 30, |                  |
|---|---|------------------|------------------------------|------------------|
|   | 2018  | 2017             | 2018                         | 2017             |
|   | (In thousands, except share and per share data) |                  |                              |                  |
| <b>Basic</b>  |   |                  |                              |                  |
| Net income  | \$ 1,212  | \$ 916           | \$ 2,360                     | \$ 1,766         |
| Dividends on non-vested restricted stock  | (27)  | (9)              | (53)                         | (17)             |
| Net income allocated to stockholders  | <u>\$ 1,185</u>                                 | <u>\$ 907</u>    | <u>\$ 2,307</u>              | <u>\$ 1,749</u>  |
| Weighted average common shares outstanding                                      | <u>4,990,904</u>                                | <u>4,847,884</u> | <u>4,986,290</u>             | <u>4,839,725</u> |
| Basic earnings per common share   | <u>\$ 0.24</u>                                  | <u>\$ 0.18</u>   | <u>\$ 0.46</u>               | <u>\$ 0.35</u>   |
| <b>Diluted</b>  |   |                  |                              |                  |
| Net income allocated to stockholders  | <u>\$ 1,185</u>                                 | <u>\$ 907</u>    | <u>\$ 2,307</u>              | <u>\$ 1,749</u>  |
| Weighted average common shares outstanding for basic earnings per common share  | 4,990,904                                       | 4,847,884        | 4,986,290                    | 4,839,725        |
| Add: Dilutive effects of assumed exercise of stock options and restricted stock | <u>226,030</u>                                  | <u>119,102</u>   | <u>224,998</u>               | <u>119,102</u>   |
| Average shares and dilutive potential common shares                             | <u>5,216,934</u>                                | <u>4,966,986</u> | <u>5,211,288</u>             | <u>4,958,827</u> |
| Diluted earnings per common share   | <u>\$ 0.22</u>                                  | <u>\$ 0.18</u>   | <u>\$ 0.44</u>               | <u>\$ 0.35</u>   |

**Income Taxes**

The Company is subject to income taxes in the U.S. federal jurisdiction, as well as various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2014.

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***Recently Adopted Accounting Pronouncements***

ASU No. 2018-02 was issued in February 2018 to provide guidance to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve usefulness of information reported to financial statement users. The amendments in this ASU will also require certain disclosures about stranded tax effects and is effective for fiscal years beginning after December 31, 2018. The Company early adopted ASU 2018-02 effective January 1, 2018 and reclassified approximately \$48,000 in stranded tax effects in the adoption using the portfolio method.

ASU No. 2017-09 was issued in May 2017 and provides guidance about which changes to the terms or condition of a share-based payment award require and entity to apply modification accounting in Topic 718. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company has adopted ASU 2017-09 on January 1, 2018 and it did not have a significant impact on its accounting and disclosures.

ASU No. 2017-07 was issued in March 2017 and applies to all employers that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined, are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The amendments in ASU No. 2017-07 are effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The amendments in this update are to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement. The Company has adopted ASU 2017-07 on January 1, 2018 and it did not have a significant impact on its accounting and disclosures.

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 has adopted ASU 2016-15 on January 1, 2018 and it did not have a significant impact on its accounting and disclosures.

ASU No. 2016-01, "*Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*" ASU No. 2016-01 was issued in January 2016 and applies to all entities that hold financial assets or owe financial liabilities. ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by requiring equity investments to be measured at fair value with changes in fair value recognized in net income; requiring public entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured and amortized at cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instruments specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 is effective for annual periods and interim periods within those periods, 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 amendments will have an impact on certain items that are disclosed at fair value that are not currently utilizing the exit price notion when measuring fair value. The Company has adopted ASU 2016-01 on January 1, 2018 and it did not have a material effect on its fair value disclosures and other disclosure requirements. For additional information on fair value of assets and liabilities, see Note 16.

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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’s revenue is comprised of net interest income, which is explicitly excluded from the scope of ASU 2014-09, and non interest income. The Company has adopted ASU 2014-09 on January 1, 2018 and it did not identify any changes in the timing of revenue recognition when considering the amended accounting guidance. The Company included additional disclosures beginning in the first quarter of 2018 as required by the guidance.

***Recent Accounting Pronouncements***

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.

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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 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 continues to work with an outside vendor on data collection and reviewing segmentation to ensure it is fully compliant with the amendments at adoption date. For additional information on the allowance for loan losses, see Note 4.

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 organizations 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:

- (a) Some leases are classified as capital whereby 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.



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**Future Acquisition**

The Company and Powhatan Community Bancshares, Inc. ("Powhatan"), the holding company for First National Bank of Powhatan Point ("First National"), announced on June 14, 2018 they have signed a definitive agreement whereby the Company will acquire Powhatan in a stock and cash transaction. Upon completion, First National will be merged into the Company's subsidiary bank, Unified Bank. At that time, the main office of First National will become a full-service branch of Unified Bank. Powhatan operates one full-service office in Belmont County, Ohio and has approximately \$62.8 million in assets, \$6.7 million in loans, \$57.6 million of deposits and \$5.1 million in consolidated equity as of June 30, 2018.

The acquisition is expected to close in the fourth quarter of 2018 and is subject to Powhatan shareholder approval, regulatory approval, and other conditions set forth in the merger agreement. Subject to the terms of the merger agreement, which has been unanimously approved by the Board of Directors of each company, Powhatan shareholders will receive 6.9233 shares of the Company's common stock plus \$38.75 in cash for each outstanding share of Powhatan common stock, subject to adjustment based on closing equity and other factors. Based on our closing share price prior to the announcement of \$13.05 on June 13, 2018, the transaction is valued at \$129.10 for each Powhatan share or approximately \$6.836 million in aggregate.

The acquisition will be accounted for in accordance with applicable accounting guidance. Accordingly, the assets and liabilities of Powhatan will be recorded at their estimated fair values at the acquisition date. The excess of the estimated fair value of the Company's common shares issued and cash paid over the net fair values of the assets acquired, including identifiable intangible assets and liabilities assumed, will be recorded as goodwill. The results of operations will be included in the consolidated income statement from the date of the acquisition. Goodwill will be subject to an annual test for impairment and the amount impaired, if any, will be charged to expense at the time of impairment. The estimated fair values of the assets and liabilities have not yet been determined. During the six months ended June 30, 2018, the Company incurred \$123,000 of merger related expenses.

**Note 2: Securities**

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

|                                       | <u>Amortized Cost</u> | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair Value</u> |
|---------------------------------------|-----------------------|---------------------------------------|--|-------------------|
|                                       | (In thousands)        |                                       |  |                   |
| <b>Available-for-sale Securities:</b> |                       |                                       |  |                   |
| June 30, 2018:                        |                       |                                       |  |                   |
| U.S. government agencies              | \$ 45,250             | \$ —                                  | \$ (669)                               | \$ 44,581         |
| State and political subdivisions      | 41,366                | 271                                   | (6)                                    | 41,631            |
|                                       | <u>\$ 86,616</u>      | <u>\$ 271</u>                         | <u>\$ (675)</u>                        | <u>\$ 86,212</u>  |
| <b>Available-for-sale Securities:</b> |                       |                                       |  |                   |
| December 31, 2017:                    |                       |                                       |  |                   |
| U.S. government agencies              | \$ 45,249             | \$ —                                  | (290)                                  | \$ 44,959         |
|                                       | <u>\$ 45,249</u>      | <u>\$ 3</u>                           | <u>\$ (290)</u>                        | <u>\$ 44,959</u>  |

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The amortized cost and fair value of available-for-sale securities at June 30, 2018, 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.

|                     | <b>Available-for-sale</b> |              |
|---------------------|---------------------------|--------------|
|                     | <b>Amortized</b>          | <b>Fair</b>  |
|                     | <b>Cost</b>               | <b>Value</b> |
|                     | <b>(In thousands)</b>     |              |
| Within one year     | \$ —                      | \$ —         |
| One to five years   | 45,250                    | 44,580       |
| Five to ten year    | —                         | —            |
| Due after ten years | 41,366                    | 41,632       |
| Totals              | \$ 86,616                 | \$ 86,212    |

The carrying value of securities pledged to secure public deposits and for other purpose, was \$42.6 million and \$41.5 million at June 30, 2018 and December 31, 2017, respectively.

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Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at June 30, 2018 and December 31, 2017, was \$47.7 million and \$44.9 million, which represented approximately 55.2% and 100.0%, respectively, of the Company's available-for-sale 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 and are a result on an general increase in longer term interest rates.

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

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2018 and December 31, 2017:

| Description of Securities        | June 30, 2018       |                   |                   |                   | Total      |                   |
|----------------------------------|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                                  | Less than 12 Months |                   | 12 Months or More |                   | Fair Value | Unrealized Losses |
|                                  | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses |            |                   |
|                                  |                     |                   |                   |                   |            |                   |
|                                  |                     | (In thousands)    |                   |                   |            |                   |
| U.S. Government agencies         | \$ 12,094           | \$ (156)          | \$ 32,487         | \$ (513)          | \$ 44,581  | \$ (669)          |
| State and Political Subdivisions | 3,081               | (6)               | —                 | —                 | 3,081      | (6)               |
| Total                            | \$ 15,175           | \$ (162)          | \$ 32,487         | \$ (513)          | \$ 47,662  | \$ (675)          |

| Description of Securities | December 31, 2017   |                   |                   |                   | Total      |                   |
|---------------------------|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                           | Less than 12 Months |                   | 12 Months or More |                   | Fair Value | Unrealized Losses |
|                           | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses |            |                   |
|                           |                     |                   |                   |                   |            |                   |
|                           |                     | (In thousands)    |                   |                   |            |                   |
| U.S. Government agencies  | \$ 12,190           | \$ (59)           | \$ 32,769         | \$ (231)          | \$ 44,959  | \$ (290)          |

The unrealized losses on the Company's investments in U.S. Government agencies were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2018 and December 31, 2017.

There were no investment sales for the six months ended June 30, 2018 and 2017.

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**Note 3: Loans and Allowance for Loan Losses**

Categories of loans include:

|                                | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--------------------------------|--------------------------|------------------------------|
|                                | <b>(In thousands)</b>    |                              |
| Commercial loans               | \$ 84,772                | \$ 81,327                    |
| Commercial real estate         | 206,795                  | 198,936                      |
| Residential real estate        | 76,476                   | 75,853                       |
| Installment loans              | 11,470                   | 12,473                       |
|                                |                          |                              |
| Total gross loans              | 379,513                  | 368,589                      |
|                                |                          |                              |
| Less allowance for loan losses | (2,080)                  | (2,122)                      |
|                                |                          |                              |
| Total loans                    | \$ 377,433               | \$ 366,467                   |

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 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.

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Residential and Installment

Residential and installment 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 installment 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.

**Allowance for Loan Losses and Recorded Investment in Loans**  
**As of and for the three and six month periods ended June 30, 2018**

|   | <u>Commercial</u> | <u>Commercial<br/>Real Estate</u> | <u>Residential</u> | <u>Installment</u> | <u>Unallocated</u> | <u>Total</u>      |
|---|-------------------|-----------------------------------|--------------------|--------------------|--------------------|-------------------|
|   | (In thousands)    |                                   |                    |                    |                    |                   |
| <b>Allowance for loan losses:</b>                     |                   |                                   |                    |                    |                    |                   |
| Balance, April 1, 2018                                | \$ 522            | \$ 671                            | \$ 446             | \$ 400             | \$ 86              | \$ 2,125          |
| Provision charged to expense                          | 22                | (17)                              | 137                | 16                 | (86)               | 72                |
| Losses charged off                                    | —                 | —                                 | (79)               | (55)               | —                  | (134)             |
| Recoveries  | 1                 | —                                 | 1                  | 15                 | —                  | 17                |
| Balance, June 30, 2018                                | <u>\$ 545</u>     | <u>\$ 654</u>                     | <u>\$ 505</u>      | <u>\$ 376</u>      | <u>\$ —</u>        | <u>\$ 2,080</u>   |
| Balance, January 1, 2018                              | \$ 537            | \$ 843                            | \$ 436             | \$ 218             | \$ 88              | \$ 2,122          |
| Provision charged to expense                          | 6                 | (190)                             | 146                | 255                | (88)               | 129               |
| Losses charged off                                    | —                 | —                                 | (79)               | (124)              | —                  | (203)             |
| Recoveries  | 2                 | 1                                 | 2                  | 27                 | —                  | 32                |
| Balance, June 30, 2018                                | <u>\$ 545</u>     | <u>\$ 654</u>                     | <u>\$ 505</u>      | <u>\$ 376</u>      | <u>\$ —</u>        | <u>\$ 2,080</u>   |
| <b>Allocation:</b>                                    |                   |                                   |                    |                    |                    |                   |
| Ending balance: individually evaluated for impairment | <u>\$ —</u>       | <u>\$ 75</u>                      | <u>\$ —</u>        | <u>\$ —</u>        | <u>\$ —</u>        | <u>\$ 75</u>      |
| Ending balance: collectively evaluated for impairment | <u>\$ 545</u>     | <u>\$ 579</u>                     | <u>\$ 505</u>      | <u>\$ 376</u>      | <u>\$ —</u>        | <u>\$ 2,005</u>   |
| <b>Loans:</b>   |                   |                                   |                    |                    |                    |                   |
| Ending balance: individually evaluated for impairment | <u>\$ 58</u>      | <u>\$ 577</u>                     | <u>\$ —</u>        | <u>\$ 98</u>       | <u>\$ —</u>        | <u>\$ 733</u>     |
| Ending balance: collectively evaluated for impairment | <u>\$ 84,714</u>  | <u>\$ 206,218</u>                 | <u>\$ 76,476</u>   | <u>\$ 11,372</u>   | <u>\$ —</u>        | <u>\$ 378,780</u> |

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

**Allowance for Loan Losses and Recorded Investment in Loans**  
**As of and for the three and six month periods ended June 30, 2017**

|                                   | <u>Commercial</u> | <u>Commercial<br/>Real Estate</u> | <u>Residential</u> | <u>Installment</u> | <u>Unallocated</u> | <u>Total</u>    |
|-----------------------------------|-------------------|-----------------------------------|--------------------|--------------------|--------------------|-----------------|
|                                   | (In thousands)    |                                   |                    |                    |                    |                 |
| <b>Allowance for loan losses:</b> |                   |                                   |                    |                    |                    |                 |
| Balance, April 1, 2017            | \$ 498            | \$ 793                            | \$ 583             | \$ 162             | \$ 297             | \$ 2,333        |
| Provision charged to expense      | 33                | 56                                | (137)              | 193                | (120)              | 25              |
| Losses charged off                | —                 | (5)                               | —                  | (77)               | —                  | (82)            |
| Recoveries                        | 1                 | 1                                 | 1                  | 13                 | —                  | 16              |
| Balance, June 30, 2017            | <u>\$ 532</u>     | <u>\$ 845</u>                     | <u>\$ 447</u>      | <u>\$ 291</u>      | <u>\$ 177</u>      | <u>\$ 2,292</u> |
| Balance, January 1, 2017          | \$ 495            | \$ 804                            | \$ 591             | \$ 107             | \$ 344             | \$ 2,341        |
| Provision charged to expense      | 36                | 44                                | (150)              | 287                | (167)              | 50              |
| Losses charged off                | —                 | (5)                               | —                  | (127)              | —                  | (132)           |
| Recoveries                        | 1                 | 2                                 | 6                  | 24                 | —                  | 33              |
| Balance, June 30, 2017            | <u>\$ 532</u>     | <u>\$ 845</u>                     | <u>\$ 447</u>      | <u>\$ 291</u>      | <u>\$ 177</u>      | <u>\$ 2,292</u> |

|   |                  |                   |                  |                  |             |                   |
|---|------------------|-------------------|------------------|------------------|-------------|-------------------|
| <b>Loans:</b>   |                  |                   |                  |                  |             |                   |
| Ending balance: individually evaluated for impairment | <u>\$ 129</u>    | <u>\$ 841</u>     | <u>\$ —</u>      | <u>\$ 462</u>    | <u>\$ —</u> | <u>\$ 1,432</u>   |
| Ending balance: collectively evaluated for impairment | <u>\$ 51,732</u> | <u>\$ 216,508</u> | <u>\$ 75,158</u> | <u>\$ 12,739</u> | <u>\$ —</u> | <u>\$ 356,137</u> |

**Allowance for Loan Losses and Recorded Investment in Loans**  
**As of December 31, 2017**

|   | <u>Commercial</u> | <u>Commercial<br/>Real Estate</u> | <u>Residential</u> | <u>Installment</u> | <u>Unallocated</u> | <u>Total</u>      |
|---|-------------------|-----------------------------------|--------------------|--------------------|--------------------|-------------------|
|   | (In thousands)    |                                   |                    |                    |                    |                   |
| <b>Allowance for loan losses:</b>                     |                   |                                   |                    |                    |                    |                   |
| Ending balance: individually evaluated for impairment | <u>\$ —</u>       | <u>\$ 73</u>                      | <u>\$ —</u>        | <u>\$ —</u>        | <u>\$ —</u>        | <u>\$ 73</u>      |
| Ending balance: collectively evaluated for impairment | <u>\$ 537</u>     | <u>\$ 770</u>                     | <u>\$ 436</u>      | <u>\$ 218</u>      | <u>\$ 88</u>       | <u>\$ 2,049</u>   |
| <b>Loans:</b>   |                   |                                   |                    |                    |                    |                   |
| Ending balance: individually evaluated for impairment | <u>\$ 83</u>      | <u>\$ 619</u>                     | <u>\$ —</u>        | <u>\$ 306</u>      | <u>\$ —</u>        | <u>\$ 1,008</u>   |
| Ending balance: collectively evaluated for impairment | <u>\$ 81,244</u>  | <u>\$ 198,317</u>                 | <u>\$ 75,853</u>   | <u>\$ 12,167</u>   | <u>\$ —</u>        | <u>\$ 367,581</u> |

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

The following tables show the portfolio quality indicators.

| Loan Class      | June 30, 2018    |                        |                  |                  |                   |
|-----------------|------------------|------------------------|------------------|------------------|-------------------|
|                 | Commercial       | Commercial Real Estate | Residential      | Installment      | Total             |
|                 | (In thousands)   |                        |                  |                  |                   |
| Pass Grade      | \$ 84,701        | \$ 203,010             | \$ 76,476        | \$ 11,371        | \$ 375,558        |
| Special Mention | —                | 2,943                  | —                | —                | 2,943             |
| Substandard     | 71               | 842                    | —                | 99               | 1,012             |
| Doubtful        | —                | —                      | —                | —                | —                 |
|                 | <u>\$ 84,772</u> | <u>\$ 206,795</u>      | <u>\$ 76,476</u> | <u>\$ 11,470</u> | <u>\$ 379,513</u> |

| Loan Class      | December 31, 2017 |                        |                  |                  |                   |
|-----------------|-------------------|------------------------|------------------|------------------|-------------------|
|                 | Commercial        | Commercial Real Estate | Residential      | Installment      | Total             |
|                 | (In thousands)    |                        |                  |                  |                   |
| Pass Grade      | \$ 78,652         | \$ 195,063             | \$ 75,853        | \$ 12,167        | \$ 361,735        |
| Special Mention | 20                | 3,066                  | —                | —                | 3,086             |
| Substandard     | 2,655             | 807                    | —                | 306              | 3,768             |
| Doubtful        | —                 | —                      | —                | —                | —                 |
|                 | <u>\$ 81,327</u>  | <u>\$ 198,936</u>      | <u>\$ 75,853</u> | <u>\$ 12,473</u> | <u>\$ 368,589</u> |

To facilitate the monitoring of credit quality within the loan portfolio, and for purposes of analyzing historical loss rates used in the determination of the ALLL, the Company utilizes the following categories of credit grades: pass, special mention, substandard, and doubtful. The four categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass ratings, which are assigned to those borrowers that do not have identified potential or well defined weaknesses and for which there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on at least a quarterly basis.

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

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

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

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

The Company evaluates the loan risk grading system definitions and allowance for loan losses methodology on an ongoing basis. No significant changes were made to either during the current and past year to date periods presented.

**Loan Portfolio Aging Analysis**  
**As of June 30, 2018**

|                        | <b>30-59 Days<br/>Past Due<br/>and<br/>Accruing</b> | <b>60-89 Days<br/>Past Due<br/>and<br/>Accruing</b> | <b>Greater<br/>Than 90<br/>Days and<br/>Accruing</b> | <b>Non<br/>Accrual</b> | <b>Total Past<br/>Due and<br/>Non Accrual</b> | <b>Current</b>    | <b>Total Loans<br/>Receivable</b> |
|------------------------|---|---|--|------------------------|---|-------------------|-----------------------------------|
| (In thousands)         |   |   |  |                        |   |                   |                                   |
| Commercial             | \$ 35   | \$ —  | \$ 57  | \$ —                   | \$ 92   | \$ 84,680         | \$ 84,772                         |
| Commercial real estate | 997   | —   | —  | 486                    | 1,483   | 205,312           | 206,795                           |
| Residential            | 611   | 18  | —  | 659                    | 1,288   | 75,188            | 76,476                            |
| Installment            | 13  | —   | —  | 59                     | 72  | 11,398            | 11,470                            |
| Total                  | <u>\$ 1,656</u>                                     | <u>\$ 18</u>  | <u>\$ 57</u>   | <u>\$ 1,204</u>        | <u>\$ 2,935</u>                               | <u>\$ 376,578</u> | <u>\$ 379,513</u>                 |

**Loan Portfolio Aging Analysis**  
**As of December 31, 2017**

|                        | <b>30-59 Days<br/>Past Due<br/>and<br/>Accruing</b> | <b>60-89 Days<br/>Past Due<br/>and<br/>Accruing</b> | <b>Greater<br/>Than 90<br/>Days and<br/>Accruing</b> | <b>Non<br/>Accrual</b> | <b>Total Past<br/>Due and<br/>Non Accrual</b> | <b>Current</b>    | <b>Total Loans<br/>Receivable</b> |
|------------------------|---|---|--|------------------------|---|-------------------|-----------------------------------|
| (In thousands)         |   |   |  |                        |   |                   |                                   |
| Commercial             | \$ 56   | \$ —  | \$ —   | \$ 83                  | \$ 139  | \$ 81,188         | \$ 81,327                         |
| Commercial real estate | 262   | —   | —  | 500                    | 762   | 198,174           | 198,936                           |
| Residential            | 559   | 306   | —  | 760                    | 1,625   | 74,228            | 75,853                            |
| Installment            | 61  | 40  | —  | 52                     | 153   | 12,320            | 12,473                            |
| Total                  | <u>\$ 938</u>                                       | <u>\$ 346</u>                                       | <u>\$ —</u>  | <u>\$ 1,395</u>        | <u>\$ 2,679</u>                               | <u>\$ 365,910</u> | <u>\$ 368,589</u>                 |

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



**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

**Impaired Loans**

|  | As of June 30, 2018 |                                |                       | For the three months ended<br>June 30, 2018 |                                  | For the six months ended<br>June 30, 2018  |                                  |
|--|---------------------|--------------------------------|-----------------------|---|----------------------------------|--|----------------------------------|
|  | Recorded<br>Balance | Unpaid<br>Principal<br>Balance | Specific<br>Allowance | Average<br>Investment in<br>Impaired Loans  | Interest<br>Income<br>Recognized | Average<br>Investment in<br>Impaired Loans | Interest<br>Income<br>Recognized |
|  | (In thousands)      |                                |                       |   |                                  |  |                                  |
| <b>Loans without a specific valuation allowance:</b> |                     |                                |                       |   |                                  |  |                                  |
| Commercial   | \$ 58               | \$ 58                          | \$ —                  | \$ 59                                       | \$ 2                             | \$ 60                                      | \$ 2                             |
| Commercial real estate                               | 168                 | 168                            | —                     | 583   | 1                                | 582  | 5                                |
| Residential  | —                   | —                              | —                     | —   | —                                | —  | —                                |
| Installment  | 98                  | 98                             | —                     | 99  | 1                                | 100  | 2                                |
|  | <u>324</u>          | <u>324</u>                     | <u>—</u>              | <u>741</u>                                  | <u>4</u>                         | <u>742</u>                                 | <u>9</u>                         |
| <b>Loans with a specific valuation allowance:</b>    |                     |                                |                       |   |                                  |  |                                  |
| Commercial   | —                   | —                              | —                     | —   | —                                | —  | —                                |
| Commercial real estate                               | 409                 | 409                            | 75                    | 421   | 1                                | 422  | 1                                |
| Residential  | —                   | —                              | —                     | —   | —                                | —  | —                                |
| Installment  | —                   | —                              | —                     | —   | —                                | —  | —                                |
|  | <u>409</u>          | <u>409</u>                     | <u>75</u>             | <u>421</u>                                  | <u>1</u>                         | <u>422</u>                                 | <u>1</u>                         |
| <b>Total:</b>  |                     |                                |                       |   |                                  |  |                                  |
| Commercial   | \$ 58               | \$ 58                          | \$ —                  | \$ 59                                       | \$ 2                             | \$ 60                                      | \$ 2                             |
| Commercial real estate                               | \$ 577              | \$ 577                         | \$ 75                 | \$ 1,004                                    | \$ 2                             | \$ 1,004                                   | \$ 6                             |
| Residential  | \$ —                | \$ —                           | \$ —                  | \$ —  | \$ —                             | \$ —                                       | \$ —                             |
| Installment  | \$ 98               | \$ 98                          | \$ —                  | \$ 99                                       | \$ 1                             | \$ 100                                     | \$ 2                             |

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

**Impaired Loans**

|  | As of December 31, 2017     |   |                               | For the three months ended<br>June 30, 2017         |   | For the six months ended<br>June 30, 2017           |   |
|--|-----------------------------|---|-------------------------------|---|---|---|---|
|  | <u>Recorded<br/>Balance</u> | <u>Unpaid<br/>Principal<br/>Balance</u> | <u>Specific<br/>Allowance</u> | <u>Average<br/>Investment in<br/>Impaired Loans</u> | <u>Interest<br/>Income<br/>Recognized</u> | <u>Average<br/>Investment in<br/>Impaired Loans</u> | <u>Interest<br/>Income<br/>Recognized</u> |
|  | (In thousands)              |   |                               |   |   |   |   |
| <b>Loans without a specific valuation allowance:</b> |                             |   |                               |   |   |   |   |
| Commercial   | \$ 83                       | \$ 83                                   | \$ —                          | \$ 131  | \$ 1                                      | \$ 128  | \$ 2                                      |
| Commercial real estate                               | 209                         | 317                                     | —                             | 808   | 3   | 825   | 5   |
| Residential  | —                           | —                                       | —                             | —   | —   | —   | —   |
| Installment  | 306                         | 306                                     | —                             | 463   | 3   | 477   | 3   |
|  | <u>598</u>                  | <u>706</u>                              | <u>—</u>                      | <u>1,402</u>  | <u>7</u>                                  | <u>1,430</u>  | <u>10</u>                                 |
| <b>Loans with a specific valuation allowance:</b>    |                             |   |                               |   |   |   |   |
| Commercial   | —                           | —                                       | —                             | —   | —   | —   | 3   |
| Commercial real estate                               | 410                         | 410                                     | 73                            | 489   | 6   | 498   | 12  |
| Residential  | —                           | —                                       | —                             | —   | —   | —   | —   |
| Installment  | —                           | —                                       | —                             | —   | —   | —   | —   |
|  | <u>410</u>                  | <u>410</u>                              | <u>73</u>                     | <u>489</u>  | <u>6</u>                                  | <u>498</u>  | <u>15</u>                                 |
| <b>Total:</b>  |                             |   |                               |   |   |   |   |
| Commercial   | \$ 83                       | \$ 83                                   | \$ 73                         | \$ 131  | \$ 1                                      | \$ 128  | \$ 5                                      |
| Commercial real estate                               | \$ 619                      | \$ 727                                  | \$ —                          | \$ 1,297  | \$ 9                                      | \$ 1,323  | \$ 17                                     |
| Residential  | \$ —                        | \$ —                                    | \$ —                          | \$ —  | \$ —                                      | \$ —  | \$ —                                      |
| Installment  | \$ 306                      | \$ 306                                  | \$ —                          | \$ 463  | \$ 3                                      | \$ 477  | \$ 3                                      |

Interest income recognized on a cash basis was not materially different than interest income recognized.

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

For the TDRs noted in the tables below, the Company extended the maturity dates and granted interest rate concessions as part of each of those loan restructurings. The loans included in the tables are considered impaired and specific loss calculations are performed on the individual loans. In conjunction with the restructuring there were no amounts charged-off.

|                        | <b>Three Months ended June 30, 2018</b> |   |  |
|------------------------|---|---|--|
|                        | <b>Number of<br/>Contracts</b>          | <b>Pre- Modification<br/>Outstanding<br/>Recorded<br/>Investment<br/>(In thousands)</b> | <b>Post-Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> |
| Commercial             | —                                       | \$ —  | \$ —   |
| Commercial real estate | —                                       | —   | —  |
| Residential            | —                                       | —   | —  |
| Installment            | —                                       | —   | —  |

|                        | <b>Three Months Ended June 30, 2018</b> |             |                    |                               |
|------------------------|---|-------------|--------------------|-------------------------------|
|                        | <b>Interest<br/>Only</b>                | <b>Term</b> | <b>Combination</b> | <b>Total<br/>Modification</b> |
|                        | <b>(In thousands)</b>                   |             |                    |                               |
| Commercial             | \$ —                                    | \$ —        | \$ —               | \$ —                          |
| Commercial real estate | —                                       | —           | —                  | —                             |
| Residential            | —                                       | —           | —                  | —                             |
| Consumer               | —                                       | —           | —                  | —                             |

|                        | <b>Six Months ended June 30, 2018</b> |   |  |
|------------------------|---------------------------------------|---|--|
|                        | <b>Number of<br/>Contracts</b>        | <b>Pre- Modification<br/>Outstanding<br/>Recorded<br/>Investment<br/>(In thousands)</b> | <b>Post-Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> |
| Commercial             | —                                     | \$ —  | \$ —   |
| Commercial real estate | —                                     | —   | —  |
| Residential            | —                                     | —   | —  |
| Installment            | —                                     | —   | —  |

|                        | <b>Six Months Ended June 30, 2018</b> |             |                    |                               |
|------------------------|---------------------------------------|-------------|--------------------|-------------------------------|
|                        | <b>Interest<br/>Only</b>              | <b>Term</b> | <b>Combination</b> | <b>Total<br/>Modification</b> |
|                        | <b>(In thousands)</b>                 |             |                    |                               |
| Commercial             | \$ —                                  | \$ —        | \$ —               | \$ —                          |
| Commercial real estate | —                                     | —           | —                  | —                             |
| Residential            | —                                     | —           | —                  | —                             |
| Consumer               | —                                     | —           | —                  | —                             |

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

|                        | <b>Three Months ended June 30, 2017</b> |  |  |
|------------------------|---|--|--|
|                        | <b>Number of<br/>Contracts</b>          | <b>Pre- Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> | <b>Post-Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> |
|                        | <b>(In thousands)</b>                   |  |  |
| Commercial             | —                                       | \$ —   | \$ —   |
| Commercial real estate | 2                                       | 127  | 103  |
| Residential            | —                                       | —  | —  |
| Installment            | —                                       | —  | —  |

|                        | <b>Three Months Ended June 30, 2017</b> |             |                    |                               |
|------------------------|---|-------------|--------------------|-------------------------------|
|                        | <b>Interest<br/>Only</b>                | <b>Term</b> | <b>Combination</b> | <b>Total<br/>Modification</b> |
|                        | <b>(In thousands)</b>                   |             |                    |                               |
| Commercial             | \$ —                                    | \$ —        | \$ —               | \$ —                          |
| Commercial real estate | —                                       | 103         | —                  | 103                           |
| Residential            | —                                       | —           | —                  | —                             |
| Consumer               | —                                       | —           | —                  | —                             |

|                        | <b>Six Months ended June 30, 2017</b> |  |  |
|------------------------|---------------------------------------|--|--|
|                        | <b>Number of<br/>Contracts</b>        | <b>Pre- Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> | <b>Post-Modification<br/>Outstanding<br/>Recorded<br/>Investment</b> |
|                        | <b>(In thousands)</b>                 |  |  |
| Commercial             | —                                     | \$ —   | \$ —   |
| Commercial real estate | 2                                     | 127  | 103  |
| Residential            | —                                     | —  | —  |
| Installment            | —                                     | —  | —  |

|                        | <b>Six Months Ended June 30, 2017</b> |             |                    |                               |
|------------------------|---------------------------------------|-------------|--------------------|-------------------------------|
|                        | <b>Interest<br/>Only</b>              | <b>Term</b> | <b>Combination</b> | <b>Total<br/>Modification</b> |
|                        | <b>(In thousands)</b>                 |             |                    |                               |
| Commercial             | \$ —                                  | \$ —        | \$ —               | \$ —                          |
| Commercial real estate | —                                     | 103         | —                  | 103                           |
| Residential            | —                                     | —           | —                  | —                             |
| Consumer               | —                                     | —           | —                  | —                             |

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

During the six months ended June 30, 2018 troubled debt restructurings did not have an impact on the allowance for loan losses. During the six months ended June 30, 2017 troubled debt restructurings described above increased the allowance for loan losses by 24,000. At June 30, 2018 and 2017 and for three and six month periods 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.

**Note 4: Benefit Plans**

Pension expense includes the following:

|   | Three months ended<br>June 30, |              | Six months ended<br>June 30, |              |
|---|--------------------------------|--------------|------------------------------|--------------|
|   | 2018                           | 2017         | 2018                         | 2017         |
|   | (In thousands)                 |              |                              |              |
| Service cost                                    | \$ 76                          | \$ 68        | \$ 152                       | \$ 136       |
| Interest cost                                   | 55                             | 50           | 110                          | 100          |
| Expected return on assets                       | (111)                          | (90)         | (222)                        | (180)        |
| Amortization of prior service cost and net loss | (10)                           | (6)          | (20)                         | (12)         |
| Pension expense                                 | <u>\$ 10</u>                   | <u>\$ 22</u> | <u>\$ 20</u>                 | <u>\$ 44</u> |

**Note 5: 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.

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2018 and 2017**

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

|   | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|--------------------------|------------------------------|
|   | <b>(In thousands)</b>    |                              |
| Commercial loans unused lines of credit | \$ 27,089                | \$ 25,814                    |
| Commitment to originate loans           | 15,909                   | 15,350                       |
| Consumer open end lines of credit       | 37,971                   | 36,938                       |
| Standby lines of credit                 | 46                       | —                            |

**Note 6: Accumulated Other Comprehensive Loss**

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

|   | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|--------------------------|------------------------------|
|   | <b>(In thousands)</b>    |                              |
| Net unrealized loss on securities available-for-sale                      | \$ (405)                 | \$ (290)                     |
| Net unrealized loss for unfunded status of defined benefit plan liability | (242)                    | (289)                        |
|   | (647)                    | (579)                        |
| Tax effect  | 136                      | 159                          |
| Net-of-tax amount   | <u>\$ (511)</u>          | <u>\$ (420)</u>              |

**Note 7: Fair Value Measurements**

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 that the entity can access at the measurement date
- 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

**United Bancorp, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
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Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such instruments 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.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated 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 June 30, 2018 and December 31, 2017:

|                                  | Fair Value | Fair Value Measurements Using   |   |  |
|----------------------------------|------------|---|---|--|
|                                  |            | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (In thousands)                   |            |   |   |  |
| <b>June 30, 2018</b>             |            |   |   |  |
| U.S. government agencies         | \$ 44,581  | \$ —  | \$ 44,581   | \$ —   |
| State and political subdivisions | 41,631     | —   | 41,631  | —  |
| <b>December 31, 2017</b>         |            |   |   |  |
| U.S. government agencies         | \$ 44,959  | \$ —  | \$ 44,959   | \$ —   |

**United Bancorp, Inc.**  
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Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***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.

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. Due to the nature of the valuation inputs, foreclosed assets held for sale are classified within Level 3 of the hierarchy.

Appraisals of foreclosed assets held for sale 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.



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The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and December 31, 2017.

|                                     | Fair Value | Fair Value Measurements Using                                  |   |   |
|-------------------------------------|------------|--|---|---|
|                                     |            | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (In thousands)                      |            |  |   |   |
| <b>June 30, 2018</b>                |            |  |   |   |
| Collateral dependent impaired loans | \$ 334     | \$ —   | \$ —  | \$ 334                                    |
| Foreclosed assets held for sale     | 250        | —  | —   | 250                                       |
| <b>December 31, 2017</b>            |            |  |   |   |
| Collateral dependent impaired loans | \$ 336     | \$ —   | \$ —  | \$ 336                                    |
| Foreclosed assets held for sale     | 34         | —  | —   | 34  |

**Unobservable (Level 3) Inputs**

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

|                                     | Fair Value at 6/30/18  | Valuation Technique          | Unobservable Inputs    | Range     |
|-------------------------------------|------------------------|------------------------------|------------------------|-----------|
| (In thousands)                      |                        |                              |                        |           |
| Collateral-dependent impaired loans | \$ 334                 | Market comparable properties | Marketability discount | 10% - 25% |
| Foreclosed assets held for sale     | \$ 250                 | Market comparable properties | Selling costs          | 10% - 35% |
|                                     | Fair Value at 12/31/17 | Valuation Technique          | Unobservable Inputs    | Range     |
| (In thousands)                      |                        |                              |                        |           |
| Collateral-dependent impaired loans | \$ 336                 | Market comparable properties | Marketability discount | 10% - 25% |
| Foreclosed assets held for sale     | \$ 34                  | Market comparable properties | Selling costs          | 10% - 35% |

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There were no significant changes in the valuation techniques used during 2018 and 2017.

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. 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.

|                                 | Carrying<br>Amount | Fair Value Measurements Using   |   |  |
|---------------------------------|--------------------|---|---|--|
|                                 |                    | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (In thousands)                  |                    |   |   |  |
| <b>June 30, 2018</b>            |                    |   |   |  |
| <b>Financial assets</b>         |                    |   |   |  |
| Cash and cash equivalents       | \$ 16,308          | \$ 16,308   | \$ —  | \$ —   |
| Loans, net of allowance         | 377,433            | —   | —   | 373,437  |
| Federal Home Loan Bank stock    | 4,164              | —   | 4,164   | —  |
| Accrued interest receivable     | 1,275              | —   | 1,275   | —  |
| <b>Financial liabilities</b>    |                    |   |   |  |
| Deposits                        | 415,634            | —   | 354,553   | —  |
| Short term borrowings           | 12,346             | —   | 12,346  | —  |
| Federal Home Loan Bank Advances | 33,768             | —   | 33,762  | —  |
| Subordinated debentures         | 4,124              | —   | 3,733   | —  |
| Interest payable                | 122                | —   | 122   | —  |

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|                                 | Carrying<br>Amount | Fair Value Measurements Using   |   |  |
|---------------------------------|--------------------|---|---|--|
|                                 |                    | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (In thousands)                  |                    |   |   |  |
| <b>December 31, 2017</b>        |                    |   |   |  |
| <b>Financial assets</b>         |                    |   |   |  |
| Cash and cash equivalents       | \$ 14,315          | \$ 14,315   | \$ —  | \$ —   |
| Loans, net of allowance         | 366,467            | —   | —   | 368,033  |
| Federal Home Loan Bank stock    | 4,164              | —   | 4,164   | —  |
| Accrued interest receivable     | 993                | —   | 993   | —  |
| <b>Financial liabilities</b>    |                    |   |   |  |
| Deposits                        | 385,966            | —   | 358,722   | —  |
| Short term borrowings           | 11,085             | —   | 11,085  | —  |
| Federal Home Loan Bank Advances | 10,022             | —   | 10,012  | —  |
| Subordinated debentures         | 4,124              | —   | 3,590   | —  |
| Interest payable                | 70                 | —   | 70  | —  |

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.

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***Loans***

For June 30, 2018, fair values of loans and leases are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors. This is not comparable with the fair values disclosed for December 31, 2017, which were based on an entrance price basis. For that date, fair values of variable rate loans and leases that reprice frequently and with no significant change in credit risk were based on carrying values. The fair values of other loans and leases as of that date were estimated using discounted cash flow analyses which used interest rates then being offered for loans and leases with similar terms to borrowers of similar credit quality.

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 June 30, 2018 and December 31, 2017.

**Note 8: Repurchase Agreements**

Securities sold under agreements to repurchase (“repurchase agreements”) with customers represent funds deposited by customers, generally on an overnight basis that are collateralized by investment securities owned by the Company.

**United Bancorp, Inc.**  
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At June 30, 2018 and December 31, 2017, repurchase agreement borrowings totaled \$12,346,000 and \$11,085,000, respectively and are included in short-term borrowings on the consolidated condensed balance sheets. 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.

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

| <b>Remaining Contractual Maturity of the Agreement</b> |                                     |                      |                   |                                 |                  |
|--|-------------------------------------|----------------------|-------------------|---------------------------------|------------------|
| (In thousands)   |                                     |                      |                   |                                 |                  |
| <u>June 30, 2018</u>                                   | <u>Overnight and<br/>Continuous</u> | <u>Up to 30 Days</u> | <u>30-90 Days</u> | <u>Greater than 90<br/>Days</u> | <u>Total</u>     |
| <b>Repurchase Agreements</b>                           |                                     |                      |                   |                                 |                  |
| U.S. government agencies                               | \$ 12,346                           | \$ —                 | \$ —              | \$ —                            | \$ 12,346        |
| Total  | <u>\$ 12,346</u>                    | <u>\$ —</u>          | <u>\$ —</u>       | <u>\$ —</u>                     | <u>\$ 12,346</u> |
| <u>December 31, 2017</u>                               | <u>Overnight and<br/>Continuous</u> | <u>Up to 30 Days</u> | <u>30-90 Days</u> | <u>Greater than 90<br/>Days</u> | <u>Total</u>     |
| <b>Repurchase Agreements</b>                           |                                     |                      |                   |                                 |                  |
| U.S. government agencies                               | \$ 11,085                           | \$ —                 | \$ —              | \$ —                            | \$ 11,085        |
| Total  | <u>\$ 11,085</u>                    | <u>\$ —</u>          | <u>\$ —</u>       | <u>\$ —</u>                     | <u>\$ 11,085</u> |

These borrowings were collateralized with U.S. government and agency securities with a carrying value of \$18.2 million at June 30, 2018 and \$18.4 million at December 31, 2017. Declines in the fair value would require the Company to pledge additional securities.

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The following discusses the financial condition of the Company as of June 30, 2018, as compared to December 31, 2017, and the results of operations for the three and six months ended June 30, 2018, compared to the same period in 2017. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

**Introduction**

The Company reported diluted earnings per share of \$0.44 and net income of \$2,360,000 for the six months ended June 30, 2018, as compared to \$0.35 and \$1,766,000, respectively, for 2017. The Company's diluted earnings per share for the three months ended June 30, 2018 was \$0.22 as compared to \$0.18 to the same period in 2017. These year-over-year improvements in The Company's earnings are directly related to the lower base corporate tax rate resulting from the passage of the Tax Cuts and Jobs Act ("tax act") in the fourth quarter of 2017 and the benefit of operational improvements on which the company is starting to see a positive return. Each of these realities should significantly benefit the company in future periods.

We are excited to report on the solid performance that our Company had for the six-month period ended June 30, 2018. Although the tax act has had a positive impact on our net income, this release will mainly focus on the strong growth of net income before taxes from operations. Overall, operational enhancements led to forty-four percent (44%) of the improvement in net income for the six months ended June 30, 2018. Our Company had a solid increase in net income before taxes of \$258,000, or 10.1%, for the six months ended June 30, 2018, over the six months ended June 30, 2017. The primary drivers of this year-over-year increase in net income before taxes were the increases in interest income and fees on loans, which were up by \$781,000, or 9.6%, and interest income on securities, which was up by \$477,000, or 131.6%. Relating to loan growth, our Company had an increase in its gross loans of \$21.9 million, or 6.1%, from June 30, 2017 to June 30, 2018. While growing the loan portfolio, our Company was able to maintain its overall stability in credit quality. Year-over-year, we continued to have very solid credit quality-related metrics supported by nonaccrual loans decreasing from a level of \$1.6 million to \$1.2 million, a decline of \$400,000 or 24.9%. Further— net loans charged off, excluding overdrafts, was \$121,000 for the six months ended June 30, 2018, which is a relatively modest increase of \$67,000 from the six months ended June 30, 2017. Annualized net charge offs to average loans was 0.09% for the six months ended June 30, 2018, as compared to 0.06% for the six months ended June 30, 2017. Due to the rising rate environment in which we are currently operating, we are seeing opportunities in the area of securities investments; whereby, we are finally seeing yields that are at acceptable levels, which is encouraging us to leverage-up to some degree. Since June 30, 2017, our Company saw an increase in securities and other restricted stock of \$47.3 million, or 109.9%, from the prior year. With our quarter-ending securities and other restricted stock position of \$90.4 million being above the quarterly average of \$67.2 million, we strongly anticipate more contribution to interest income from this area in future periods. With the enhanced level of total interest income that we realized in the first six months of 2018, net interest income for the six months ended June 30, 2018 for our Company increased by \$904,000, or 11.9%, even as we focused on growing retail core deposits to fund our growth. Total deposits increased by \$41.7 million, or 11.2%, to a level of \$415.6 million as of June 30, 2018. Even with this significant increase in total deposits, we were able to control our overall interest expense levels by attracting lower-cost retail funding to replace higher-cost wholesale funding advances that matured over the past 12 months. Overall, our Company saw low-cost retail funding (consisting of non-interest and interest bearing demand and savings deposits) comprise \$37.4 million of its growth in retail deposits year-over-year. In addition, time deposits, which consist of certificate of deposit or term funding, increased by \$4.3 million, or 6.7%, for the same period. This growth in retail core deposit funding (along with increased levels of wholesale borrowing) and the increasing interest rate environment in which we are currently operating led to a slight elevation in our interest expense levels and our interest expense to average assets, which increased from 0.40% for the six months ended June 30, 2017 to 0.51% for the six months ended June 30, 2018. Overall, with the growth in our interest income outpacing the increases that we experienced in our interest expense, we had an increase in our net interest margin, which went from 3.83% in 2017 to 3.90% as of the end of this most recent quarter.

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The Company's total noninterest income increased \$67,000, or 4.0%, year over year. A majority of this increase was realized in the area of service charges on deposit accounts, which is the area in which our Company performs at a high level relative to peer. On the noninterest expense-side of the net noninterest margin (and, as budgeted), we experienced an increase in our noninterest expense of \$634,000 or 9.5%. Most of the increase in noninterest expense continues to be related to infrastructure enhancement and personnel-related expenses as we prepare for the future growth that we envision. Considering that most of the aforementioned expenses are "fixed," we firmly believe that we have positive operating leverage, which should allow us to drive higher levels of revenue without significantly adding to our overall noninterest expense levels in the short-term; therefore, enhancing our Company's earnings and returns. Of material note in the most recent quarter, our Company incurred approximately \$123,000 in merger related and other one time expenses with a majority of these expenses relating to the June 14, 2018 announcement of a Definitive Agreement to acquire Powhatan Point Community Bancshares, Inc. These one time expenses decreased the diluted earnings per share for the Company by \$0.02 in the most recent quarter. It is anticipated that during the third and fourth quarters of 2018, our Company will incur additional merger-related expenses in connection with this transaction.

Our Company continues to benefit from the enactment of the tax act, which has reduced the overall tax rate for companies, such as ours, from 35% to 21%. Overall, the tax act contributed fifty-six percent (56%) of our increase in net income for the six months ended June 30, 2018. We are also gratified to see that our investment in both the infrastructure and personnel of our Company is producing a positive return for us. On an operating basis, we saw an improvement in our earnings before income taxes, which contributed forty-four percent (44%) of the increase that we had in our bottom line earnings! With our focus on continuing to enhance our lending platforms, we anticipate seeing stronger loan growth in the coming year. In addition, with the implementation of an investment strategy during the course of the first quarter of this year, we anticipate having more investment securities-based leverage on our balance sheet in the coming quarters. Each of these aforementioned items have led to year-over-year growth in earning assets (consisting of both loans and investment securities) of \$69.3 million or 17.3%. This realized growth in earning assets during the first half of this year, and the anticipation of additional growth in this area in the second half of 2018, should lead to the continuation of our Company growing its level of earning assets and generating higher levels of interest income. Increasing leverage at an acceptable spread should allow our Company to pay slightly higher rates to attract retail-based core funding to fund our growth, while maintaining our net interest margin and improving our overall level of net interest income. Year-over-year, we saw the net interest margin of our Company improve by seven (7) basis points to a level of 3.90% as of June 30, 2018. Our enhanced net interest margin led to our net interest income improving on a year-over-year basis by \$904,000 or 11.9%.

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We have stated for many quarters that our goal is to grow our Company if we can do it in a profitable fashion. We are glad that we are in a position, at present, to accomplish this. At this most recent quarter end, our Company had total assets of \$514.8 million, which is an increase of \$66.1 million, or 14.7%, over the previous year. This is the highest level of total assets in our Company's history and, for the first time, we surpassed the \$500.0 million total asset threshold during the second quarter. Our viewpoint is that profitable growth will lead to positive opportunities to further grow our Company! In this area, we have very high expectations for our Company over the course of the next three years. Our ultimate goal is to become a "hybrid or omnichannel" bank; whereby, we can serve our present and future customers on "their" terms. By having both exceptional "in-branch" and "virtual" service options for our customers, we believe that our Company will have relevance within our industry for many years to come. In addition, we will be able to deliver on our current vision for growth, which is to have total assets greater than \$1.0 billion. As previously announced our Company and Powhatan Point Community Bancshares, Inc. ("Powhatan"), the holding company for First National Bank of Powhatan Point ("First National"), announced on June 14, 2018 that we have signed a definitive merger agreement; whereby, we will acquire Powhatan in a stock and cash transaction. Upon completion, First National will be merged into our subsidiary bank, Unified Bank. At that time, the main office of First National will become a full-service branch of Unified Bank. Powhatan operates one full-service office in Belmont County, Ohio and has approximately \$62.8 million in assets, \$6.7 million in loans, \$57.6 million of deposits and \$5.1 million in consolidated equity as of June 30, 2018. This transaction will develop a presence for our Company in Southern Belmont County, which has seen nice growth in recent years relating to the oil and gas development in this area. In addition, this area has the potential for much more growth in the near to intermediate term with the expected announcement of the building of a much anticipated ethane cracker plant. This acquisition is expected to close in the fourth quarter of 2018 and is subject to Powhatan shareholder approval, regulatory approval, and other conditions set forth in the merger agreement.

As always, one of our primary focuses is to reward our valued shareholders by paying a solid cash dividend. With our improving earnings in 2018, we increased our cash dividend payout during the first quarter of this year. On a year-over-year basis as of June 30, 2018, our Company paid cash dividends of \$0.26, versus \$0.22 in 2017, an increase of 18.2%. At our present cash dividend payout level of \$0.13, our Company's stock has a forward dividend yield of 3.85%, which is significantly higher than the average cash dividend yield seen within our industry. Our other primary focus continues to be growing our shareholders' investment in our Company through profitable operations and strategic growth. As of the most recent quarter end, our market value was \$13.50, which is up from the same period in the previous year by \$1.30 or 10.7%. We will continue to keenly focus on these two key areas to provide value for our loyal shareholders. Overall, we are pleased with the improving performance of our Company during the first six months of 2018 and the direction that we are going. With the positive growth that we have experienced so far in 2018, and with the anticipated growth that will occur during the remainder of the current year, we are extremely optimistic about our future potential and look forward to realizing this upside potential in future periods!

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



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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 financial condition, results of operations, 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 except as discussed herein.

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 judgments.

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, developments 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 the Bank's trend in delinquencies and loan losses, and economic factors.

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.

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**Analysis of Financial Condition**

***Earning Assets – Loans***

Our focus as a community bank is to meet the credit needs of the markets we serve. At June 30, 2018, gross loans were \$379.5 million, compared to \$368.6 million at December 31, 2017, an increase of \$10.9 million after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of an \$11.3 million increase in commercial and commercial real estate loans, a \$623,000 increase in residential loans and a \$1.0 million decrease in installment loans since December 31, 2017.

Commercial and commercial real estate loans comprised 76.8% of total loans at June 30, 2018, compared to 76.0% at December 31, 2017. Commercial and commercial real estate loans have increased \$11.3 million, or 4.0%, since December 31, 2017. This segment of the loan portfolio includes originated loans in our market areas and purchased participations in loans from other banks.

Installment loans represented 3.0% of total loans at June 30, 2018 and 3.4% at December 31, 2017. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased \$1.0 million, or 8.0%, since December 31, 2017. The targeted lending areas encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's banking locations.

Residential real estate loans were 20.2% of total loans at June 30, 2018 and 20.6% at December 31, 2017, representing an increase of \$623,000, or less than 1.0% since December 31, 2017. As of June 30, 2018, the Bank has approximately \$4.7 million in fixed-rate loans that have been sold in the secondary market but still serviced by the Company as compared to \$5.3 million at December 31, 2017. The level of fixed rate mortgages serviced by the Company will continue to decline as the Company will not retain servicing rights on new sales going forward for these types of products. The Company will continue to service these loans for a fee that is typically 25 basis points. At June 30, 2018, the Company did not hold any loans for sale.

The allowance for loan losses totaled \$2.1 million at June 30, 2018, which represented 0.55% of total loans, and \$2.1 million at December 31, 2017, or 0.58% of total loans. The allowance 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. The Company had net charge-offs of \$171,000 for the six months ended June 30, 2018 compared to \$99,000 for the six months ended June 30, 2017.

**United Bancorp, Inc.**  
**Management's Discussion and Analysis of Financial**  
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***Earning Assets – Securities***

The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of state and political subdivisions and certain other investments. Securities available for sale at June 30, 2018 increased approximately \$41.3 from December 31, 2017 totals. Due to the rising rate environment in which we are currently operating, we are seeing opportunities in the area of securities investments; whereby, we are finally seeing yields that are at acceptable levels, which is encouraging us to leverage-up on state and political subdivision investments.

***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 \$250,000. For the period ended June 30, 2018, total core deposits increased approximately \$29.2 million or 7.7%. The Company's savings accounts increased \$1.7 million, or 2.0%, from December 31, 2017 totals. The Company's interest-bearing and non-interest bearing demand deposits increased \$25.0 million, or 10.5%, while certificates of deposit under \$250,000 increased by \$2.5 million, or 4.2%. The Company considers core deposit to be stable; therefore, the amount of funds anticipated to flow out in the next three to six months is not considered material to the overall liquidity position of the Company.

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 \$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 June 30, 2018, certificates of deposit greater than \$250,000 increased \$483,000 or 9.1%, from December 31, 2017 totals.

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

Other interest-bearing liabilities include securities sold under agreements to repurchase and Federal Home Loan Bank ("FHLB") advances. The majority of the Company's repurchase agreements are with local school districts and city and county governments. The Company's short-term borrowings increased approximately \$1.3 million from December 31, 2017 totals.

**Results of Operations for the Six Months Ended June 30, 2018 and 2017**

***Net Income***

For the six months ended June 30, 2018 the Company reported net earnings of \$2,360,000, compared to \$1,766,000 for the six months ended June 30, 2017. On a per share basis, the Company's diluted earnings were \$0.44 for the six months ended June 30, 2018, as compared to \$0.35 for the six months ended June 30, 2017 an increase of 25.71%.

**United Bancorp, Inc.**  
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***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 after provision for loan losses increased 10.9%, or \$825,000 for the six months ended June 30, 2018 compared to the same period in 2017. As previously mentioned, the strong growth of loans was the driver for the increase in net interest income.

***Provision for Loan Losses***

Year-over-year, the Company maintained very solid credit quality-related metrics by having nonaccrual loans and loans past due 30+ days experience a modest increase from a level of \$2.59 million to \$2.94 million, an increase of \$350,000. Net loans charged-off, excluding overdrafts, was \$121,000 through June 30, 2018, which is a slight increase over net loans charged-off of \$54,000 from the previous year. At this present level, total past due and nonaccrual loans to gross loans is a very solid 0.77% versus 0.72% the prior year. Net charge offs to average loans was 0.09% for the six months ended June 30, 2018. Overall, with the solid loan growth and not much movement in the Company's credit quality, the Company modestly increased the provision for loan losses which was \$50,000 for the six months ended June 30, 2017 to \$129,000 for the six months ended June 30, 2017, an increase of \$79,000.

***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.

The Company's service charges on deposit accounts increased by \$52,000 for the six months ended June 30, 2018 as compared to the same period in 2017.

***Noninterest Expense***

Noninterest expense increased on a year-over-year basis by \$634,000 or 9.5%. Our Company is embarking upon a new period, whereby our exclusive focus is to grow our assets in a profitable fashion that will produce consistent and increasing earnings. As such certain expenses have increased year over year. During the six months ended June 30, 2018, the Company also incurred professional fees mainly related to the announced acquisition with Powhatan and its affiliate of approximately \$123,000.

***Federal Income Taxes***

The provision for federal income taxes was \$448,000 for the six months ended June 30, 2018, a decrease of \$336,000 compared to the same period in 2017. The effective tax rate was 16.0% and 30.7% for the six months ended June 30, 2018 and 2017, respectively. As previously discussed, the effective tax rate is lower due to the passage of the Tax Act in the fourth quarter of 2017.

**United Bancorp, Inc.**  
**Management's Discussion and Analysis of Financial**  
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**Results of Operations for the Three Months Ended June 30, 2018 and 2017**

***Net Income***

For the three months ended June 30, 2018 the Company reported net earnings of \$1,212,000, compared to \$916,000 for the three months ended June 30, 2017. On a per share basis, the Company's diluted earnings were \$0.22 for the three months ended June 30, 2018, as compared to \$0.18 for the three months ended June 30, 2017.

***Net Interest Income***

Net interest income increased 14.3%, or \$548,000 for the three months ended June 30, 2018 compared to the same period in 2017. This increase was mainly driven by an increase in loan interest income and loan fees of \$467,000 or 11.4% for the three months ended June 30, 2018 over the same period in 2017.

***Provision for Loan Losses***

The provision for loan losses was \$72,000 for the three months ended June 30, 2018, compared to \$25,000 for the same period in 2017. As previously discussed, the increase in the provision for loan losses was primarily due to the solid loan growth.

***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.

The Company's service charges on deposit accounts increased by \$18,000 for the three months ended June 30, 2018 as compared to the same period in 2017.

***Noninterest Expense***

Noninterest expense was \$3.8 million for the three months ended June 30, 2018, an increase of \$389,000, compared to the three months ended June 30, 2017. During the three months ended June 30, 2018, the Company also incurred professional fees mainly related to our announced pending acquisition with Powhatan of approximately \$107,000.

***Federal Income Taxes***

The provision for federal income taxes was \$250,000 for the three months ended June 30, 2018, a decrease of \$165,000 compared to the same period in 2017. The effective tax rate was 17.1% and 31.2% for the three months ended June 30, 2018 and 2017, respectively. As previously discussed, the effective tax rate is lower due to the passage of the Tax Act in the fourth quarter of 2017.

**United Bancorp, Inc.**  
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*Capital Resources*

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled \$45.0 million at June 30, 2018 compared to \$43.9 million at December 31, 2017, a \$1,090,000 increase. Total stockholders' equity in relation to total assets was 8.74% at June 30, 2018 and 9.56% at December 31, 2017. The Company's Articles of Incorporation provides flexibility 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 offered for many years 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 bank holding company. The Bank is subject to regulations of the FDIC and the State of Ohio, Division of Financial Institutions. The most important of these various regulations address capital adequacy.

On January 1, 2015, the final rules of the Federal Reserve Board went into effect implementing in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Under the final rule, minimum requirements increased for both the quality and quantity of capital held by banking organizations. The rule requires a new minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent and a common equity tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets that will apply to all supervised financial institutions. The rule also raises the minimum ratio of tier 1 capital to risk-weighted assets from 4 percent to 6 percent and includes a minimum leverage ratio of 4 percent for all banking organizations.

As of June 30, 2018, the Company continues to be well-capitalized in accordance with Federal regulatory capital requirements as the capital ratios below show:

|                                    |        |
|------------------------------------|--------|
| Common equity tier 1 capital ratio | 10.82% |
| Tier 1 capital ratio               | 11.79% |
| Total capital ratio                | 12.30% |
| Leverage ratio                     | 10.18% |

**United Bancorp, Inc.**  
**Management's Discussion and Analysis of Financial**  
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***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 income, 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 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 accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. 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, certain impaired loans and certain other real estate and loans that may be measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other, but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance.

**ITEM 3 Quantitative and Qualitative Disclosures About Market Risk**

There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

**United Bancorp, Inc.**  
**Management's Discussion and Analysis of Financial**  
**Condition and Results of Operations**

**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-15. 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 June 30, 2018, in timely alerting them to material information relating to the Company (including its consolidated subsidiary) 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 June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**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 Form 10-K for the year ended December 31, 2017, filed on March 20, 2018.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

ISSUER PURCHASES OF EQUITY SECURITIES

| Period                               | (a)<br>Total Number of<br>Shares (or Units)<br>Purchased | (b)<br>Average Price Paid<br>Per Share (or Unit) | (c)<br>Total Number of<br>Shares (or Units)<br>Purchased as Part<br>Of Publicly<br>Announced Plans<br>Or Programs | (d)<br>Maximum Number or<br>Approximate Dollar<br>Value) of Shares (or<br>Units) that May Yet<br>Be Purchased Under<br>the Plans or Programs |
|--------------------------------------|--|--|---|--|
| Month #1<br>4/1/2018 to<br>4/30/2018 | —  | —  | —   | —  |
| Month #2<br>5/1/2018 to<br>5/31/2018 | —  | —  | —   | —  |
| Month #3<br>6/1/2018 to<br>6/30/2018 | —  | —  | —   | —  |

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 Company officers. Under the Plan, directors or other eligible participants may defer fees and up to 50% of their annual incentive award payable to them by the Company, which 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. All purchases under this deferred compensation plan are funded with either earned director fees or officer incentive award payments. 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.

**United Bancorp, Inc.**  
**Part II – Other Information**

**ITEM 4. Mine Safety Disclosures**

Not applicable.

**ITEM 5. Exhibits**

|                                |   |
|--------------------------------|---|
| <a href="#"><u>EX 2.0</u></a>  | <a href="#"><u>Agreement and Plan of Merger dated as of June 14, 2018, by and between United Bancorp, Inc. and Powhatan Point Community Bancshares, Inc.</u></a> <sup>(1)</sup> |
| <a href="#"><u>EX 3.1</u></a>  | <a href="#"><u>Amended Articles of Incorporation of United Bancorp, Inc.</u></a> <sup>(2)</sup>   |
| <a href="#"><u>EX 3.2</u></a>  | <a href="#"><u>Amended Code of Regulations of United Bancorp, Inc.</u></a> <sup>(3)</sup>   |
| EX 4.0                         | Instruments Defining the Rights of Security Holders (See Exhibits <a href="#"><u>3.1</u></a> and <a href="#"><u>3.2</u></a> )   |
| <a href="#"><u>EX 10.1</u></a> | <a href="#"><u>United Bancorp, Inc. 2018 Stock Incentive Plan</u></a>   |
| <a href="#"><u>EX 31.1</u></a> | <a href="#"><u>Rule 13a-14(a) Certification – CEO</u></a>   |
| <a href="#"><u>EX 31.2</u></a> | <a href="#"><u>Rule 13a-14(a) Certification – CFO</u></a>   |
| <a href="#"><u>EX 32.1</u></a> | <a href="#"><u>Section 1350 Certification – CEO</u></a>   |
| <a href="#"><u>EX 32.2</u></a> | <a href="#"><u>Section 1350 Certification – CFO</u></a>   |
| EX 101.INS                     | XBRL Instance Document  |
| EX 101.SCH                     | XBRL Taxonomy Extension Schema Document <sup>(3)</sup>  |
| EX 101.CAL                     | XBRL Taxonomy Extension Calculation Linkbase Document <sup>(3)</sup>  |
| EX 101.DEF                     | XBRL Taxonomy Extension Definition Linkbase Document <sup>(3)</sup>   |
| EX 101.LAB                     | XBRL Taxonomy Extension Label Linkbase Document <sup>(3)</sup>  |
| EX 101.PRE                     | XBRL Taxonomy Extension Presentation Linkbase Document <sup>(3)</sup>   |

(1) Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2018

(2) 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) Incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 22, 2014.

## 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: August 14, 2018

By: /s/Scott A. Everson  
\_\_\_\_\_  
Scott A. Everson  
President and Chief Executive Officer

Date: August 14, 2018

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

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## **Section 2: EX-10.1 (EXHIBIT 10.1)**

**Exhibit 10.1**

**Exhibit A**

**UNITED BANCORP, INC.  
2018 STOCK INCENTIVE PLAN  
ARTICLE 1**

General Purpose of Plan; Definitions

- 1.1 *Name and Purposes.* The name of this Plan is the United Bancorp, Inc. 2018 Stock Incentive Plan. The purpose of this Plan is to enable United Bancorp, Inc. and its Affiliates to: (i) attract and retain skilled and qualified directors, officers and key employees who are expected to contribute to the Company's success by providing long-term incentive compensation opportunities competitive with those made available by other companies; (ii) motivate participants to achieve the long-term success and growth of the Company; (iii) facilitate ownership of shares of the Company; and (iv) align the interests of the participants with those of the Company's shareholders.
- 1.2 *Certain Definitions.* Unless the context otherwise indicates, the following words used herein shall have the following meanings whenever used in this instrument:
- (a) "Affiliate" means any corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company, as determined by the Board of Directors in its discretion.
  - (b) "Award" means any grant under this Plan of a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit or Performance Share to any Plan participant.
  - (c) "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.
  - (d) "Cause" with respect to an employee of the Company or any affiliate of the Company who had not entered into an employment agreement with the Company or such an affiliate, means and is limited to (i) criminal dishonesty, (ii) refusal to perform duties on an exclusive and substantially full-time basis, (iii) refusal to act in accordance with any specific substantive instructions given by the Company or any affiliate of the Company with respect to performance of duties normally associated with such employee's position, or (iv) engaging in conduct which could be materially damaging to the Company or any affiliate of the Company without a reasonable good faith belief that such conduct was in the best interest of the Company or any affiliate of the Company. With respect to an employee who is employed pursuant to an employment agreement with the Company or such an affiliate, "Cause" shall mean "cause" as defined in the terms of such employment agreement (as it may be amended from time to time).

- (e) “Change in Control” shall mean a “Change in Ownership,” “Change in Effective Control”, or a “Change in Ownership of a Substantial Portion of Assets” as defined Treasury Regulation 1.409A-3(i)(5).
- (f) “Code” means the Internal Revenue Code of 1986, as amended, and any lawful regulations or guidance promulgated thereunder. Whenever reference is made to a specific Internal Revenue Code section, such reference shall be deemed to be a reference to any successor Internal Revenue Code section or sections with the same or similar purpose.
- (g) “Committee” means the committee administering this Plan as provided in Section 2.1.
- (h) “Common Shares” mean the common shares no par value per share, of the Company.
- (i) “Company” means United Bancorp, Inc., a corporation organized under the laws of the State of Ohio and, except for purposes of determining whether a Change in Control has occurred, any corporation or entity that is a successor to United Bancorp, Inc. or substantially all of the assets of United Bancorp, Inc. and that assumes the obligations of United Bancorp, Inc. under this Plan by operation of law or otherwise.
- (j) “Date of Grant” means the date on which the Committee grants an Award.
- (k) “Director” means a member of the Board of Directors.
- (l) “Disability” means the person (i) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan of the Company or an affiliate covering the person, or (ii) has been determined to be totally disabled by the United States Social Security Administration.
- (m) “Eligible Participant” is defined in Article 4.
- (n) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and any lawful regulations or guidance promulgated thereunder.
- (o) “Exercise Price” means the purchase price of a Share pursuant to a Stock Option, or the exercise price per Share related to a Stock Appreciation Right.

- (p) “Fair Market Value” means the closing price of a Share as reported on The Nasdaq Stock Market, or, if applicable, on any national securities exchange or automated quotation system on which the Common Shares are principally traded: (i) on the date for which the determination of Fair Market Value is made, or (ii) if the closing price is not yet known as of such date then the date prior to that, or, (iii) if there are no sales of Common Shares on such date, then on the most recent immediately preceding date on which there were any sales of Common Shares. If the Common Shares are not, or cease to be, traded on The Nasdaq Stock Market or any national securities exchange or automated quotation system, the “Fair Market Value” of Common Shares shall be determined pursuant to a reasonable valuation method prescribed by the Committee. Notwithstanding the foregoing, as of any date, the “Fair Market Value” of Common Shares shall be determined in a manner consistent with Code Section 409A and the guidance then-existing thereunder. In addition, “Fair Market Value” with respect to ISOs and related SARs shall be determined in accordance with Section 6.2(f).
- (q) “Incentive Stock Option” and “ISO” mean a Stock Option that is identified as such and which is intended to meet the requirements of Section 422 of the Code.
- (r) “Non-Qualified Stock Option” and “NQSO” mean a Stock Option that: (i) is governed by Section 83 of the Code; and (ii) is not intended to meet the requirements of Section 422 of the Code.
- (s) “Outside Director” means a nonemployee Director. In addition, at all times during which the Company is subject to the reporting requirements of the Exchange Act, “Outside Director” means a nonemployee Director who meets the definitions of the terms “independent director” set forth in The Nasdaq Stock Market rules, and “non-employee director” set forth in Rule 16b-3, or any successor definitions adopted by the Internal Revenue Service, The Nasdaq Stock Market and Securities and Exchange Commission, respectively, and similar requirements under any other applicable laws and regulations.
- (t) “Parent” means any corporation which qualifies as a “parent corporation” of the Company under Section 424(e) of the Code.
- (u) “Performance Shares” is defined in Article 9.
- (v) “Performance Period” is defined in Section 9.2.
- (w) “Plan” means this United Bancorp, Inc. 2018 Stock Incentive Plan, as amended from time to time.
- (x) “Restricted Share Units” is defined in Article 8.
- (y) “Restricted Shares” is defined in Article 8.
- (z) “Rule 16b-3” is defined in Article 16.

- (aa) "Share" or "Shares" mean one or more of the Common Shares.
- (bb) "Shareholder" means an individual or entity that owns one or more Shares.
- (cc) "Stock Appreciation Rights" and "SARs" mean any right to receive the appreciation in Fair Market Value of a specified number of Shares over a specified Exercise Price pursuant to an Award granted under Article 7.
- (dd) "Stock Option" means any right to purchase a specified number of Shares at a specified price which is granted pursuant to Article 5 and may be an Incentive Stock Option or a Non-Qualified Stock Option.
- (ee) "Stock Power" means a power of attorney executed by a participant and delivered to the Company which authorizes the Company to transfer ownership of Restricted Shares, Performance Shares or Common Shares from the participant to the Company or a third party.
- (ff) "Subsidiary" means any corporation which qualifies as a "subsidiary corporation" of the Company under Section 424(f) of the Code.
- (gg) "Vested" means, with respect to a Stock Option, that the time has been reached when the option to purchase Shares first becomes exercisable; and with respect to a Stock Appreciation Right, when the Stock Appreciation Right first becomes exercisable for payment; with respect to Restricted Shares, when the Shares are no longer subject to forfeiture and restrictions on transferability; with respect to Restricted Share Units and Performance Shares, when the units or Shares are no longer subject to forfeiture and are converted to Shares. The words "Vest" and "Vesting" have meanings correlative to the foregoing.

## ARTICLE 2

### Administration

#### 2.1 *Authority and Duties of the Committee.*

- (a) The Plan shall be administered by a Committee of at least two Directors who are appointed by the Board of Directors. Unless otherwise determined by the Board of Directors, the Compensation Committee of the Board of Directors (or any subcommittee thereof) shall serve as the Committee, and all of the members of the Committee shall be Outside Directors. Notwithstanding the requirement that the Committee consist exclusively of Outside Directors, no action or determination by the Committee or an individual then considered to be an Outside Director shall be deemed void because a member of the Committee or such individual fails to satisfy the requirements for being an Outside Director, except to the extent required by applicable law.

- (b) The Committee has the power and authority to grant Awards pursuant to the terms of this Plan to Eligible Participants. The Committee may, at any time and from time to time, at the request of a Participant or at the discretion of the Committee, designate that a portion of such Participant's compensation otherwise payable in cash be payable in Common Shares, Options or SARs. The Committee shall have the sole discretion to determine the value of the Common Shares, Options, or SARs so payable and the terms and conditions under which such Common Shares shall be issued or such Options or SARs shall be granted.
- (c) The Committee has the sole and exclusive authority, subject to any limitations specifically set forth in this Plan, to:
  - (i) select the Eligible Participants to whom Awards are granted;
  - (ii) determine the types of Awards granted and the timing of such Awards;
  - (iii) determine the number of Shares to be covered by each Award granted hereunder;
  - (iv) determine the other terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder; such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Options or Stock Appreciation Rights may be exercised (which may be based on performance objectives), any Vesting, acceleration or waiver of forfeiture restrictions, any performance criteria applicable to an Award, and any restriction or limitation regarding any Option or Stock Appreciation Right or the Common Shares relating thereto, based in each case on such factors as the Committee, in its sole discretion, shall determine;
  - (v) determine whether any conditions or objectives related to Awards have been met, including but not limited to any determination of whether the performance objectives for Performance Shares or other performance-based awards have been satisfied, as required for compliance with Article 9 of this Plan;
  - (vi) subsequently modify or waive any terms and conditions of Awards, not inconsistent with the terms of this Plan;
  - (vii) adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it deems advisable from time to time;
  - (viii) promulgate such administrative forms as it from time to time deems necessary or appropriate for administration of the Plan;
  - (ix) construe, interpret, administer and implement the terms and provisions of this Plan, any Award and any related agreements;

- (x) correct any defect, supply any omission and reconcile any inconsistency in or between the Plan, any Award and any related agreements;
  - (xi) prescribe any legends to be affixed to certificates representing Shares or other interests granted or issued under the Plan; and
  - (xii) otherwise supervise the administration of this Plan.
- (d) All decisions made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including the Company, its shareholders and participants, but may be made by their terms subject to ratification or approval by, the Board of Directors, another committee of the Board of Directors or shareholders.
- (e) The Company shall furnish the Committee with such clerical and other assistance as is necessary for the performance of the Committee's duties under the Plan.
- 2.2 *Delegation of Duties.* The Committee may delegate ministerial duties to any other person or persons, and it may employ attorneys, consultants, accountants or other professional advisers for purposes of plan administration at the expense of the Company. The power to delegate provided for herein does not include the power to grant an Award.
- 2.3 *Limitation of Liability.* Members of the Board of Directors, members of the Committee and Company employees who are their designees acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties hereunder.

### ARTICLE 3

#### Stock Subject to Plan

- 3.1 *Total Shares Limitation.* Subject to the provisions of this Article, the maximum number of Shares that may be issued or transferred under this Plan shall not exceed in the aggregate 500,000 Common Shares, which may be treasury or authorized but unissued Shares.
- 3.2 *Participant Limitation.* The aggregate number of Shares underlying Awards granted under this Plan to any participant in any fiscal year (including but not limited to Awards of Stock Options and SARs), regardless of whether such Awards are thereafter canceled, forfeited or terminated, shall not exceed 25,000 Shares.
- 3.3 *Awards Not Exercised; Effect of Receipt of Shares.* If any outstanding Award, or portion thereof, expires, or is terminated, canceled or forfeited, the Shares that would otherwise be issuable or released from restrictions with respect to the unexercised or non-Vested portion of such expired, terminated, canceled or forfeited Award shall be available for subsequent Awards under this Plan. If the Exercise Price of an Award is paid in Shares, or if Shares are withheld or sold to cover tax withholding obligations pursuant to Sections 15.1 and 15.2 of this Plan, the Shares received by the Company in connection therewith shall not be added to the maximum aggregate number of Shares which may be issued under Section 3.1.



- 3.4 *Dilution and Other Adjustments.* In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, redesignation, reclassification, merger, consolidation, liquidation, split-up, reverse split, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee shall, in such manner as it deems equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the limitations set forth above and (iv) the purchase or exercise price or any performance objective with respect to any Award; provided, however, that the number of Shares or other securities covered by any Award or to which such Award relates is always a whole number. Notwithstanding the foregoing, the foregoing adjustments shall be made in compliance with: (i) Sections 422 and 424 of the Code with respect to ISOs; (ii) Treasury Department Regulation Section 1.424-1 (and any successor) with respect to NQSOs, applied as if the NQSOs were ISOs; and (iii) Section 409 A of the Code, to the extent necessary to avoid its application or avoid adverse tax consequences thereunder. In applying the provisions of this Section 3.4, the Committee shall lack discretion with respect to any adjustment which is required to prevent enlargement or dilution of rights under any Award and shall promptly make such adjustments as are required to prevent an enlargement or dilution of rights.

#### ARTICLE 4

##### Participants

- 4.1 *Eligibility.* Directors, Officers and all other key employees of the Company or any of its Affiliates (each an “Eligible Participant”) who are selected by the Committee in its sole discretion are eligible to participate in this Plan.
- 4.2 *Award Agreements.* Awards shall be evidenced by a written agreement in a form prescribed by the Committee (hereinafter “Award Agreement”). Execution of an Award Agreement shall constitute the participant’s irrevocable agreement to, and acceptance of, the terms and conditions of the Award set forth in such agreement and of the terms and conditions of the Plan applicable to such Award. Award Agreements may differ from time to time and from participant to participant.

## ARTICLE 5

### Stock Option Awards

- 5.1 *Option Grant.* Each Stock Option granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the appropriate participant.
- 5.2 *Terms and Conditions of Grants.* Stock Options granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies with respect to exercisability and/or with respect to the Shares acquired upon exercise as may be provided in the relevant agreement evidencing the Stock Options, so long as such terms and conditions are not inconsistent with the terms of this Plan, as the Committee deems desirable:
- (a) *Exercise Price.* Subject to Section 3.4, the Exercise Price shall never be less than 100% of the Fair Market Value of the Shares on the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee; *provided, however,* that such formula or method will provide for a minimum Exercise Price equal to the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.4, no subsequent amendment of an outstanding Stock Option may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 5.2(a) shall be construed as limiting the Committee's authority to grant premium price Stock Options which do not become exercisable until the Fair Market Value of the underlying Shares exceeds a specified percentage (*e.g.* , 110%) of the Exercise Price; *provided, however,* that such percentage will never be less than 100%.
  - (b) *Option Term.* Any unexercised portion of a Stock Option granted hereunder shall expire at the end of the stated term of the Stock Option. The Committee shall determine the term of each *Stock* Option at the time of grant, which term shall not exceed 10 years from the Date of Grant. The Committee may extend the term of a Stock Option, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be 10 years. Nothing in this Section 5.2(b) shall be construed as limiting the Committee's authority to grant Stock Options with a term shorter than 10 years.

- (c) *Vesting.* Stock Options, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant. The Committee may provide that a vesting schedule shall be specified in an Award Agreement. If the Committee provides that any Stock Option becomes Vested over a period of time or upon performance events, in full or in installments, the Committee may waive or accelerate such Vesting provisions at any time. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Stock Options shall immediately vest upon the Death or Disability of the holder.
- (d) *Method of Exercise.* Vested portions of any Stock Option may be exercised in whole or in part at any time during the option term by giving written notice of exercise to the Company specifying the number of Shares to be purchased. The notice must be given by or on behalf of a person entitled to exercise the Stock Option, accompanied by payment in full of the Exercise Price, along with any tax withholding pursuant to Article 15. Subject to the approval of the Committee, the Exercise Price may be paid:
- (i) in cash in any manner satisfactory to the Committee;
  - (ii) by tendering (by either actual delivery of Shares or by attestation) unrestricted Shares owned by the person entitled to exercise the Stock Option having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price applicable to such Stock Option exercise, and, with respect to the exercise of NQSOs, including restricted Shares;
  - (iii) by a combination of cash and unrestricted Shares that are owned on the date of exercise by the person entitled to exercise the Stock Option; and
  - (iv) by another method permitted by law and affirmatively approved by the Committee which assures full and immediate payment or satisfaction of the Exercise Price, which may include broker assisted cashless exercise.

The Committee may withhold its approval for any method of payment for any reason, in its sole discretion, including but not limited to concerns that the proposed method of payment will result in adverse financial accounting treatment, adverse tax treatment for the Company or a participant or a violation of any law applicable to the Company from time to time, and related regulations and guidance.

If the Exercise Price of an NQSO is paid by tendering Restricted Shares, then the Shares received upon the exercise will contain restrictions that are no less restrictive than the Restricted Shares so tendered.

- (e) *Form.* Unless the grant of a Stock Option is expressly designated at the time of grant as an ISO, it is deemed to be an NQSO. ISOs are subject to the additional terms and conditions in Article 6.
  - (f) *Special Limitations on Stock Option Awards.* Unless an Award Agreement approved by the Committee provides otherwise, Stock Options awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and applicable Treasury regulations and all Stock Option Awards shall be construed and administered accordingly.
- 5.3 *Termination of Grants Prior to Expiration.* Subject to Article 6 with respect to ISOs, if the employment of an optionee with the Company or its Affiliates terminates for any reason, all unexercised Stock Options may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing the Stock Options. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation (but only to the originally scheduled expiration date), or acceleration of the vesting of all or part of the Stock Options.

## ARTICLE 6

### Special Rules Applicable to Incentive Stock Options

- 6.1 *Eligibility.* Notwithstanding any other provision of this Plan to the contrary, an ISO may only be granted to full or part-time employees (including officers) of the Company or of an Affiliate, provided that the Affiliate is a Parent or Subsidiary.
- 6.2 *Special ISO Rules.*
- (a) *Term.* No ISO may be exercisable on or after the tenth anniversary of the Date of Grant, and no ISO may be granted under this Plan on or after the tenth anniversary of the effective date of this Plan.
  - (b) *Ten Percent Shareholder.* No grantee may receive an ISO under this Plan if such grantee, at the time the Award is granted, owns (after application of the rules contained in Section 424(d) of the Code) equity securities possessing more than 10% of the total combined voting power of all classes of equity securities of the Company, its Parent or any Subsidiary, unless (i) the option price for such ISO is at least 110% of the Fair Market Value of the Shares as of the Date of Grant, and (ii) such ISO is not exercisable on or after the fifth anniversary of the Date of Grant.

- (c) *Limitation on Grants.* The aggregate Fair Market Value (determined with respect to each ISO at the time of grant) of the Shares with respect to which ISOs are exercisable for the first time by a grantee during any calendar year (under this Plan or any other plan adopted by the Company or its Parent or its Subsidiary) shall not exceed \$100,000. Unless otherwise set forth in an Award Agreement, if such aggregate Fair Market Value shall exceed \$100,000, such number of ISOs as shall have an aggregate Fair Market Value equal to the amount in excess of \$100,000 shall be treated as NQSOs.
  - (d) *Non-Transferability.* Notwithstanding any other provision herein to the contrary, no ISO granted hereunder (and, if applicable, related Stock Appreciation Right) may be transferred except by will or by the laws of descent and distribution, nor may such ISO (or related Stock Appreciation Right) be exercisable during a grantee's lifetime other than by him (or his guardian or legal representative to the extent permitted by applicable law).
  - (e) *Termination of Employment.* No ISO may be exercised more than three months following termination of employment for any reason (including retirement) other than death or Disability, nor more than one year following termination of employment for the reason of death or Disability (as defined in Section 422 of the Code). If the Award Agreement for an ISO permits exercise after such date such option will no longer qualify as an ISO and shall thereafter be, and receive the tax treatment applicable to, an NQSO. For this purpose, a termination of employment is cessation of employment such that no employment relationship exists between the participant and the Company, a Parent or a Subsidiary.
  - (f) *Fair Market Value.* For purposes of any ISO granted hereunder (or, if applicable, related Stock Appreciation Right), the Fair Market Value of Shares shall be determined in the manner required by Section 422 of the Code and any Treasury regulations thereunder.
- 6.3 *Subject to Code Amendments.* The foregoing limitations are designed to comply with the requirements of Section 422 of the Code and shall be automatically amended or modified to comply with amendments or modifications to Section 422 of the Code. Any ISO which fails to comply with Section 422 of the Code is automatically treated as an NQSO appropriately granted under this Plan provided it otherwise meets the Plan's requirements for NQSOs.

## ARTICLE 7

### Stock Appreciation Rights

- 7.1 *SAR Grant and Agreement.* Stock Appreciation Rights (including SOSARs with the meaning set forth below) may be granted under this Plan and each SAR granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the appropriate participant.

- (a) *Term.* Any unexercised portion of a Stock Appreciation Right granted hereunder shall expire at the end of the stated term of the Stock Appreciation Right. The Committee shall determine the term of each Stock Appreciation Right at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Appreciation Right, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.
- (b) *Vesting.* A Stock Appreciation Right is exercisable, in whole or in part, at such time or times as determined by the Committee at or after the time of grant. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Stock Appreciation Rights shall immediately vest upon the Death or Disability of the holder.
- (c) *Exercise Price.* Subject to Section 3.4, the Exercise Price of a Stock Appreciation Right will never be less than 100% of the Fair Market Value of the related Shares on the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee; *provided, however*, that such formula or method will provide for a minimum Exercise Price equal to the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.4, no subsequent amendment of an outstanding Stock Appreciation Right may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 7.3(c) shall be construed as limiting the Committee's authority to grant premium price Stock Appreciation Rights which do not become exercisable until the Fair Market Value of the related Shares exceeds a specified percentage (*e.g.*, 110%) of the Exercise Price; *provided, however*, that such percentage will never be less than 100%.
- (d) *Method of Exercise.* A Stock Appreciation Right may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of Shares in respect of which the Stock Appreciation Right is being exercised. The notice must be given by or on behalf of a person entitled to exercise the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of the tax withholding requirements pursuant to Article 15, the holder of the Stock Appreciation Right is entitled to receive Shares or cash as specified in the original Award Agreement (as set forth below) equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Exercise Price of the SAR multiplied by the number of Stock Appreciation Rights being exercised. At any time the Fair Market Value of a Share on a proposed exercise date does not exceed the Exercise Price of the SAR, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

- (i) *Stock Appreciation Right designated as a Stock Only Stock Appreciation Right ("SOSAR") in the original Award Agreement.* With respect to an Award designated by the Company in the original Award Agreement as a SOSAR, the holder shall be entitled to receive only Shares of the Company upon exercise.
  - (ii) *All Other Stock Appreciation Rights.* With respect to all other Awards the holder shall be entitled to the cash or other property set forth in the Award Agreement.
  - (e) *Early Termination Prior to Expiration.* If the employment of an optionee with the Company or its Affiliates terminates for any reason, all unexercised Stock Appreciation Rights may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing such Stock Appreciation Rights. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation (but only to the originally scheduled expiration date), or acceleration of the vesting of all or part of such Stock Appreciation Rights.
- 7.2 Other Terms and Conditions of SAR Grants. Stock Appreciation Rights are subject to such other terms and conditions, not inconsistent with the provisions of this Plan, as are determined from time to time by the Committee.
- 7.3 Special Limitations on SAR Awards. Unless an Award Agreement approved by the Committee provides otherwise, Stock Appreciation Rights awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and applicable Treasury regulations and all Stock Appreciation Rights Awards shall be construed and administered accordingly.

## ARTICLE 8

### Restricted Share and Restricted Share Unit Awards

- 8.1 *Restricted Share Grants and Agreements.* Restricted Share Awards consist of Shares which are issued by the Company to a participant at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value but which are subject to forfeiture and restrictions on their sale or other transfer by the participant. Each Restricted Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the participant. The timing of Restricted Share Awards and the number of Shares to be issued (subject to Section 3.2) are to be determined by the Committee in its discretion. By accepting a grant of Restricted Shares, the participant consents to any tax withholding as provided in Article 15.

8.2 *Terms and Conditions of Restricted Share Grants.* Restricted Shares granted under this Plan are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

- (a) *Purchase Price.* The Committee shall determine the prices, if any, at which Restricted Shares are to be issued to a participant, which may vary from time to time and from participant to participant and which may be below the Fair Market Value of such Restricted Shares at the Date of Grant.
- (b) *Restrictions.* All Restricted Shares issued under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, a requirement that the participant forfeit such Restricted Shares in the event of termination of the participant's employment with the Company or its Affiliates prior to vesting. The Committee may at any time waive any such restrictions or accelerate the date or dates on which the restrictions will lapse.
- (c) *Performance-Based Restrictions.* The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the Award Agreement governing an Award provides that such Award is intended to be "performance-based compensation," the provisions of Article 9 will also apply.
- (d) *Delivery of Shares.* Restricted Shares will be registered in the name of the participant and deposited, together with a Stock Power, with the Company or its designated officer or escrow agent. Each such certificate will bear a legend in substantially the following form:

"The transferability of this certificate and the Common Shares represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the United Bancorp, Inc. 2018 Stock Incentive Plan and an agreement entered into between the registered owner and the Company. A copy of this Plan and agreement are on file in the office of the Secretary of the Company."



At the end of any time period during which the Restricted Shares are subject to forfeiture and restrictions on transfer, and after any tax withholding, such Shares will be delivered free of all restrictions (except for any pursuant to Article 14) to the participant or other appropriate person and with the foregoing legend removed from the stock certificate.

- (e) *Forfeiture of Shares.* If a participant who holds Restricted Shares fails to satisfy the restrictions, vesting requirements and other conditions relating to the Restricted Shares prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the participant shall forfeit the Shares and transfer them back to the Company in exchange for a refund of any consideration paid by the participant or such other amount which may be specifically set forth in the Award Agreement. A participant shall execute and deliver to the Company one or more Stock Powers with respect to Restricted Shares granted to such participant.
  - (f) *Voting and Other Rights.* Except as otherwise required by the terms of the applicable Restricted Share Agreement, during any period in which Restricted Shares are subject to forfeiture and restrictions on transfer, the participant holding such Restricted Shares shall have all the rights of a Shareholder with respect to such Shares, including, without limitation, the right to vote such Shares and the right to receive any dividends paid with respect to such Shares.
- 8.3 *Restricted Share Unit Awards and Agreements.* Restricted Share Unit Awards consist of Shares that will be issued to a participant at a future time or times at no cost, or at a purchase price determined by the Committee which purchase price may be below their Fair Market Value if continued employment and/or other terms and conditions specified by the Committee are satisfied. Each Restricted Share Unit Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and the Plan participant. The timing of Restricted Share Unit Awards and the number of Restricted Share Units to be awarded (subject to Section 3.2) are to be determined by the Committee in its sole discretion. By accepting a Restricted Share Unit Award, the participant agrees to remit to the Company when due any tax withholding as provided in Article 15.
- 8.4 *Terms and Conditions of Restricted Share Unit Awards.* Restricted Share Unit Awards are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

- (a) *Restrictions.* All Restricted Share Units awarded under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, a requirement that the participant forfeit such Restricted Share Unit in the event of termination of the participant's employment with the Company or its Affiliates prior to Vesting. The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse.
- (b) *Performance-Based Restrictions.* The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the Award Agreement governing an Award provides that such Award is intended to be "performance-based compensation," the provisions of Article 9 will also apply.
- (c) *Voting and Other Rights.* A participant holding Restricted Share Units shall not be deemed to be a Shareholder solely because of such units. Such participant shall have no rights of a Shareholder with respect to such units; *provided, however,* that an Award Agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Restricted Share Unit Award.
- (d) *Lapse of Restrictions.* If a participant who holds Restricted Share Units satisfies the restrictions and other conditions relating to the Restricted Share Units prior to the lapse or waiver of such restrictions and conditions, the Restricted Share Units shall be converted to, or replaced with, Shares which are free of all restrictions except for any restrictions pursuant to Article 14.
- (e) *Forfeiture of Restricted Share Units.* If a participant who holds Restricted Share Units fails to satisfy the restrictions, Vesting requirements and other conditions relating to the Restricted Share Units (prior to the lapse, satisfaction or waiver of such restrictions and conditions), except as may otherwise be determined by the Committee, the participant shall forfeit the Restricted Share Units.

- (f) *Termination.* A Restricted Share Unit Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified on the Date of Grant or upon the termination of employment of the participant during the time period or periods specified by the Committee during which any performance objectives must be met (the “Performance Period”). If a participant’s employment with the Company or its Affiliates terminates by reason of his or her death, disability or retirement, the Committee in its discretion at or after the Date of Grant may determine that the participant (or the heir, legatee or legal representative of the participant’s estate) will receive a distribution of Shares in an amount which is not more than the number of Shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Awards intended to be performance-based compensation (as described in Section 9.4(d)), distribution of the Shares shall not be made prior to attainment of the relevant performance objectives.
- (g) *Special Limitations on Restricted Share Unit Awards.* Unless an Award Agreement approved by the Committee provides otherwise, Restricted Share Units awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Restricted Share Unit Awards shall be construed and administered accordingly.
- 8.5 *Time Vesting of Restricted Share and Restricted Share Unit Awards.* Restricted Shares or Restricted Share Units, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the restrictions on time Vesting set forth in this Section. If the Committee provides that any Restricted Shares or Restricted Share Unit Awards become Vested over time (with or without a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section. Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, all unvested Restricted Share and Restricted Share Unit Awards shall immediately Vest with respect to any required time vesting upon the Death or Disability of the holder.
- 8.6 *Special Limitations on Restricted Share and Restricted Stock Unit Awards.* Unless an Award Agreement approved by the Committee provides otherwise, Restricted Share and Restricted Stock Units awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and applicable Treasury regulations and all Awards shall be construed and administered accordingly.

## ARTICLE 9

### Performance Share Awards

- 9.1 *Performance Share Awards and Agreements.* A Performance Share Award is a right to receive Shares in the future conditioned upon the attainment of specified performance objectives and such other conditions, restrictions and contingencies as the Committee may determine. Each Performance Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by an Award Agreement dated as of the Date of Grant and executed by the Company and by the Plan participant. The timing of Performance Share Awards and the number of Shares covered by each Award (subject to Section 3.2) are to be determined by the Committee in its discretion. By accepting a grant of Performance Shares, the participant agrees to remit to the Company when due any tax withholding as provided in Article 15.

- 9.2 *Performance Objectives.* At the time of grant of a Performance Share Award, the Committee will specify the performance objectives which, depending on the extent to which they are met, will determine the number of Shares that will be distributed to the participant. The Committee will also specify the time period or periods (the "Performance Period") during which the performance objectives must be met. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes. Performance measurement may be described in terms of objectives that are related to the performance by the Company, by any Subsidiary, or by any employee or group of employees in connection with services performed by that employee or those employees for the Company, a Subsidiary, or one or more subunits of the Company or of any Subsidiary. The performance objectives may be made relative to the performance of other companies. The performance objectives and periods need not be the same for each participant nor for each Award.
- 9.3 *Adjustment of Performance Objectives.* The Committee may modify, amend or otherwise adjust the performance objectives specified for outstanding Performance Share Awards if it determines that an adjustment would be consistent with the objectives of this Plan and taking into account the interests of the participants and the public Shareholders of the Company and such adjustment complies with any applicable legal requirements, to the extent applicable, unless the Committee indicates a contrary intention. The types of events which could cause an adjustment in the performance objectives include, without limitation, accounting changes which substantially affect the determination of performance objectives, changes in applicable laws or regulations which affect the performance objectives, and divisive corporate reorganizations, including spin-offs and other distributions of property or stock.
- 9.4 *Other Terms and Conditions.* Performance Share Awards granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement as the Committee deems desirable:
- (a) *Delivery of Shares.* As soon as practicable after the applicable Performance Period has ended, the participant will receive a distribution of the number of Shares earned during the Performance Period, depending upon the extent to which the applicable performance objectives were achieved. Such Shares will be registered in the name of the participant and will be free of all restrictions except for any restrictions pursuant to Article 14. Notwithstanding the foregoing, the distribution of Shares provided for herein shall occur not later than two and one-half months following the end of the calendar year in which the Performance Period has ended.

- (b) *Termination.* A Performance Share Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified at the time of grant or upon the termination of employment of the participant during the Performance Period. If a participant's employment with the Company or its Affiliates terminates by reason of his or her death, disability or retirement, the Committee in its discretion at or after the time of grant may determine, notwithstanding any Vesting requirements, that the participant (or the heir, legatee or legal representative of the participant's estate) will receive a distribution of a portion of the participant's then-outstanding Performance Share Awards in an amount which is not more than the number of shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period.
  - (c) *Voting and Other Rights.* Awards of Performance Shares do not provide the participant with voting rights or rights to dividends prior to the participant becoming the holder of record of Shares issued pursuant to an Award; *provided, however,* that an Award Agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Performance Share Award. Prior to the issuance of Shares, Performance Share Awards may not be sold, transferred, pledged, assigned or otherwise encumbered.
- 9.5 *Special Limitations on Performance Share Awards.* Unless an Award Agreement approved by the Committee provides otherwise, Performance Shares awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Performance Share Awards shall be construed and administered accordingly.

## ARTICLE 10

### Transfers and Leaves of Absence

- 10.1 *Transfer of Participant.* For purposes of this Plan, the transfer of a participant among the Company and its Affiliates is deemed not to be a termination of employment.

10.2 *Effect of Leaves of Absence.* For purposes of this Plan, the following leaves of absence are deemed not to be a termination of employment:

- (a) a leave of absence, approved in writing by the Company, for military service, sickness or any other purpose approved by the Company, if the period of such leave does not exceed 90 days;
- (b) a leave of absence in excess of 90 days, approved in writing by the Company, but only if the employee's right to reemployment is guaranteed either by a statute or by contract, and provided that, in the case of any such leave of absence, the employee returns to work within 30 days after the end of such leave; and
- (c) any other absence determined by the Committee in its discretion not to constitute a termination of employment.

## ARTICLE 11

### Effect of Change in Control

11.1 *Change in Control Defined.* "Change in Control" shall mean a "Change in Ownership" as defined in Article 1 of this Plan.

11.2 *Effect of Change in Control.* Unless otherwise determined by the Committee in connection with the grant and set forth in the Award Agreement, in the event of a Change in Control of the Company:

- (a) all Stock Options or SARs, notwithstanding any limitations set forth in the Plan or Award Agreement shall become fully Vested;
- (b) all Restricted Shares, notwithstanding any limitations set forth in the Plan or Award Agreement shall become fully Vested; and
- (c) all Restricted Share Units and Performance Shares, notwithstanding any limitations set forth in the Plan or Award Agreement shall become fully Vested.

In addition, in connection with a Change in Control the Committee shall have the right, in its sole discretion, to:

- (d) cancel any or all outstanding Stock Options, SARs, Restricted Share Units and Performance Shares in exchange for the kind and amount of shares of the surviving or new corporation, cash, securities, evidences of indebtedness, other property or any combination thereof receivable in respect of one Share upon consummation of the transaction in question (the "Acquisition Consideration") that the holder of the Stock Option, SAR, Restricted Share Unit or Performance Share would have received had the Stock Option, SAR, Restricted Share Unit or Performance Share been exercised or converted into Shares, as applicable, prior to such transaction, less the applicable exercise or purchase price therefor;

- (e) cause the holders of any or all Stock Options, SARs, Restricted Share Units and Performance Shares to have the right thereafter and during the term of the Stock Option, SAR, Restricted Share Unit or Performance Share to receive upon exercise thereof the Acquisition Consideration receivable upon the consummation of such transaction by a holder of the number of Common Shares which might have been obtained upon exercise or conversion of all or any portion thereof, less the applicable exercise or purchase price therefor, or to convert such Stock Option, SAR, Restricted Share Unit or Performance Share into a stock option, appreciation right, restricted share unit or performance share relating to the surviving or new corporation in the transaction; or
- (f) take such other action as it deems appropriate to preserve the value of the Award to the Participant, including the cancellation of such Award and the payment of the value of the Acquisition Consideration attributable to the Award, net of payments due from the holder thereof upon exercise if any, in cash.

The Committee may provide for any of the foregoing in an Award Agreement governing an Award in advance, may provide for any of the foregoing in connection with a Change in Control, or do both. Alternatively, the Committee shall also have the right to require any purchaser of the Company's assets or stock, as the case may be, to take any of the actions set forth in the preceding sentence.

The manner of application and interpretation of the foregoing provisions of this Section 11.2 shall be determined by the Committee in its sole and absolute discretion.

11.3 *Code Section 409A.* Unless an Award Agreement approved by the Committee provides otherwise, each Award granted under this Plan is intended to meet the requirements for exclusion from coverage under Code Section 409A. If the Committee provides that an Award shall be subject to Code Section 409A, then, *notwithstanding* the other provisions of this Article 11, the Committee may provide in the Award Agreement for such changes to the definition of Change in Control from the definition set forth in this Article 11, and for such changes to the Committee's rights upon a Change in Control, as the Committee may deem necessary in order for such Award to comply with Code Section 409A.

## ARTICLE 12

### Transferability of Awards

12.1 *Awards Are Non-Transferable.* Except as provided in Sections 12.2 and 12.3, Awards are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by operation of law or otherwise) any Award shall be null and void.

- 12.2 *Inter-Vivos Exercise of Awards.* During a participant's lifetime, Awards are exercisable only by the participant or, as permitted by applicable law and notwithstanding Section 12.1 to the contrary, the participant's guardian or other legal representative.
- 12.3 *Limited Transferability of Certain Awards.* Notwithstanding Section 12.1 to the contrary, Awards may be transferred by will and by the laws of descent and distribution. Moreover, the Committee, in its discretion, may allow at or after the time of grant the transferability of Awards which are Vested, provided that the permitted transfer is made (a) if the Award is an Incentive Stock Option, the transfer is consistent with Section 422 of the Code; (b) to the Company (for example in the case of forfeiture of Restricted Shares), an Affiliate or a person acting as the agent of the foregoing or which is otherwise determined by the Committee to be in the interests of the Company; or (c) by the participant for no consideration to Immediate Family Members (as defined below) or to a bona fide trust, partnership or other entity controlled by and for the benefit of one or more Immediate Family Members. "Immediate Family Members" means the participant's spouse, children, stepchildren, parents, stepparents, siblings (including half brothers and sisters), in-laws and other individuals who have a relationship to the participant arising because of a legal adoption. No transfer may be made to the extent that transferability would cause Form S-8 or any successor form thereto not to be available to register Shares related to an Award. The Committee in its discretion may impose additional terms and conditions upon transferability.

## ARTICLE 13

### Amendment and Discontinuation

- 13.1 *Amendment or Discontinuation of this Plan.* The Board of Directors may amend, alter, or discontinue this Plan at any time, provided that no amendment, alteration, or discontinuance may be made:
- (a) which would materially and adversely affect the rights of a participant under any Award granted prior to the date such action is adopted by the Board of Directors without the participant's written consent thereto; and
  - (b) without shareholder approval, if shareholder approval is required under applicable laws, regulations or exchange requirements (including Section 422 of the Code with respect to ISOs).

Notwithstanding the foregoing, this Plan may be amended without participants' consent to: (i) comply with any law; (ii) preserve any intended favorable tax effects for the Company, the Plan or participants; or (iii) avoid any unintended unfavorable tax effects for the Company, the Plan or participants.

- 13.2 *Amendment of Grants.* The Committee may amend, prospectively or retroactively, the terms of any outstanding Award, provided that no such amendment may be inconsistent with the terms of this Plan (specifically including the prohibition on granting Stock Options or SARs with an Exercise Price less than 100% of the Fair Market Value of the Common Shares on the Date of Grant) or would materially and adversely affect the rights of any holder without his or her written consent.



## ARTICLE 14

### Issuance of Shares and Share Certificates

- 14.1 *Issuance of Shares.* The Company will issue or cause to be issued Shares as soon as practicable upon exercise or conversion of an Award that is payable in Shares. No certificates for Shares will be issued until full payment has been made, to the extent payment is required. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares, notwithstanding the exercise or conversion of the Award payable in shares.
- 14.2 *Delivery of Share Certificates.* The Company is not required to issue or deliver any certificates for Shares issuable with respect to Awards under this Plan prior to the fulfillment of all of the following conditions:
- (a) payment in full for the Shares and for any tax withholding (See Article 15);
  - (b) completion of any registration or other qualification of such Shares under any Federal or state laws or under the rulings or regulations of the Securities and Exchange Commission or any other regulating body which the Committee in its discretion deems necessary or advisable;
  - (c) admission of such Shares to listing on The Nasdaq Stock Market or any stock exchange on which the Shares are listed;
  - (d) in the event the Shares are not registered under the Securities Act of 1933, qualification as a private placement under said Act;
  - (e) obtaining of any approval or other clearance from any Federal or state governmental agency which the Committee in its discretion determines to be necessary or advisable; and
  - (f) the Committee is fully satisfied that the issuance and delivery of Shares under this Plan is in compliance with applicable Federal, state or local law, rule, regulation or ordinance or any rule or regulation of any other regulating body, for which the Committee may seek approval of counsel for the Company.

- 14.3 *Applicable Restrictions on Shares.* Shares issued with respect to Awards may be subject to such stock transfer orders and other restrictions as the Committee may determine necessary or advisable under any applicable Federal or state securities law rules, regulations and other requirements, the rules, regulations and other requirements of The Nasdaq Stock Market or any stock exchange upon which the Shares are then-listed, and any other applicable Federal or state law and will include any restrictive legends on stock certificates that the Committee may deem appropriate to include.
- 14.4 *Book Entry.* In lieu of the issuance of stock certificates evidencing Shares, the Company may use a “book entry” system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

## ARTICLE 15

### Satisfaction of Tax Liabilities

- 15.1 *In General.* The Company shall withhold any taxes which the Committee determines the Company is required by law or required by the terms of this Plan to withhold in connection with any payments incident to this Plan. The participant or other recipient shall provide the Committee with such additional information or documentation as may be necessary for the Company to discharge its obligations under this Section. The Company may withhold: (a) cash, (b) subject to any limitations under Rule 16b-3, Common Shares to be issued, or (c) any combination thereof, in an amount equal to the amount which the Committee determines is necessary to satisfy the obligation of the Company, a Subsidiary or a Parent to withhold federal, state and local income taxes or other amounts incurred by reason of the grant or exercise of an Award, its disposition, or the disposition of the underlying Common Shares. Alternatively, the Company may require the holder to pay to the Company such amounts, in cash, promptly upon demand.
- 15.2 *Withholding from Share Distributions.* With respect to a distribution in Shares pursuant to Restricted Share, Restricted Share Unit or Performance Share Awards under the Plan, the Committee may cause the Company to sell the number of such Shares with a value (net proceeds of such sale) equal to (or exceeded by not more than the actual sale price of a single Share) the Company’s required tax withholding relating to such distribution. The Committee may withhold the proceeds of such sale for purposes of satisfying such tax withholding obligation.
- 15.3 *Section 83(b) Election.* The Committee may, where applicable, provide in an Award Agreement the right of the participant to make an election pursuant to Section 83(b) of the Code, or comparable provisions of any state tax law, to include in the participant’s gross income the fair market value as of the Award as of the Date of Grant. The participant may make such an election *only if*, prior to making any such election, the participant (a) notifies the Company of participant’s intention to make such election in accordance with any notice requirements set forth in the Award Agreement, and (b) pays to the Company an amount sufficient to satisfy any taxes or other amounts required by any governmental authority to be withheld or paid over to such authority for participant’s account, or otherwise makes arrangements satisfactory to the Company for the payment of such amounts through withholding or otherwise.

## ARTICLE 16

### General Provisions

- 16.1 *No Implied Rights to Awards or Employment.* No potential participant has any claim or right to be granted an Award under this Plan, and there is no obligation of uniformity of treatment of participants under this Plan. Neither this Plan nor any Award thereunder shall be construed as giving any individual any right to continued employment with the Company or any Affiliate. The Plan does not constitute a contract of employment, and the Company and each Affiliate expressly reserve the right at any time to terminate employees free from liability, or any claim, under this Plan, except as may be specifically provided in this Plan or in an Award Agreement.
- 16.2 *Other Compensation Plans.* Nothing contained in this Plan prevents the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.
- 16.3 *Rule 16b-3 Compliance.* The Plan is intended to comply with all applicable conditions of Rule 16b-3 of the Exchange Act, as such rule may be amended from time to time (“Rule 16b-3”). All transactions involving any participant subject to Section 16(a) of the Exchange Act shall be subject to the conditions set forth in Rule 16b-3, regardless of whether such conditions are expressly set forth in this Plan. Any provision of this Plan that is contrary to Rule 16b-3 does not apply to such participants.
- 16.4 *Successors.* All obligations of the Company with respect to Awards granted under this Plan are binding on any successor to the Company, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Company.
- 16.5 *Severability.* In the event any provision of this Plan, or the application thereof to any person or circumstances, is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, or other applications, and this Plan is to be construed and enforced as if the illegal or invalid provision had not been included.

- 16.6 *Governing Law.* To the extent not preempted by Federal law, this Plan and all Award Agreements pursuant thereto are construed in accordance with and governed by the laws of the State of Ohio. This Plan is not intended to be governed by the Employee Retirement Income Security Act and shall be so construed and administered.
- 16.7 *Legal Requirements.* No Awards shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Shares, cash, or a combination thereof, unless such payment is, without further action by the Committee, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.
- 16.8 *Forfeiture by Employees in Connection with Termination for Cause.* Notwithstanding any other provision of this Plan, subject to the provisions of the Award Agreement to which such Award relates, upon the termination of employment of an employee Participant for Cause such employee Participant shall forfeit all benefits associated with any Award as provided for herein. Pursuant to this provision, an employee shall forfeit all unexercised Options whether or not previously vested, all unexercised SARs whether or not previously vested and all Restricted Shares, Restricted Share Units and Performance Shares for which the delivery of Shares has not yet occurred.

#### ARTICLE 17

##### Effective Date and Term

- 17.1 *Effective Date.* The effective date of this United Bancorp, Inc. 2018 Stock Incentive Plan is the date on which the shareholders of the Company approve it at a duly held shareholders' meeting.
- 17.2 *Termination Date.* This Plan will continue in effect until midnight on the day before the tenth anniversary of the effective date specified in Section 17.1; provided, however, that Awards granted on or before that date may extend beyond that date.

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## Section 3: EX-31.1 (EXHIBIT 31.1)

**Exhibit 31.1**

### CERTIFICATIONS

I, Scott A. Everson, President and Chief Executive Officer of United Bancorp, Inc., certify that:

1. I have reviewed this Form 10-Q of United Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2018

/s/Scott A. Everson

Scott A. Everson, President and CEO

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## Section 4: EX-31.2 (EXHIBIT 31.2)

**Exhibit 31.2**

### CERTIFICATIONS

I, Randall M. Greenwood, Chief Financial Officer of United Bancorp, Inc., certify that:

1. I have reviewed this Form 10-Q of United Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2018

/s/Randall M. Greenwood

Randall M. Greenwood, CFO

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## Section 5: EX-32.1 (EXHIBIT 32.1)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ENACTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of United Bancorp, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Everson, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Scott A. Everson  
Scott A. Everson,  
President and Chief Executive Officer

August 14, 2018

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## **Section 6: EX-32.2 (EXHIBIT 32.2)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ENACTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of United Bancorp, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall M. Greenwood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Randall M. Greenwood  
Randall M. Greenwood,  
Chief Financial Officer

August 14, 2018

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