Section 1: 10-Q (FORM 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 March 31, 2019

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	34-1405357
(State or other jurisdiction of incorporation or organization)	(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 every Interactive Data File required to be submitted 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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒		
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 13(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 ☒

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $1.00 a share	**UBCP**	**NASDQ Capital Market**

Indicate the number of shares outstanding of the issuer's classes of common stock as of the latest practicable date: As of May 6, 2019, 5,737,219 shares of the Company's common stock, $1.00 par value, were issued and outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and due from banks	$ 5,206	$ 15,573
Interest-bearing demand deposits	27,486	9,680
Cash and cash equivalents	32,692	25,253
Available-for-sale securities	139,318	123,991
Loans, net of allowance for loan losses of $2,083 and $2,043 at March 31, 2019 and December 31, 2018, respectively	411,813	407,640
Premises and equipment	12,197	12,117
Federal Home Loan Bank stock	4,012	4,243
Foreclosed assets held for sale, net	91	91
Core deposit and other intangible assets	1,655	1,692
Accrued interest receivable	2,104	1,798
Bank-owned life insurance	12,948	13,115
Other assets	4,178	3,273
Total assets	$ 621,008	$ 593,213
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 315,067	$ 309,505
Savings	110,924	111,251
Time	112,940	104,687
Total deposits	538,931	525,443
Securities sold under repurchase agreements	13,441	8,068
Federal Home Loan Bank advances	80	106
Subordinated debentures	4,124	4,124
Deferred federal income tax	507	219
Interest payable and other liabilities	10,139	4,610
Total liabilities	567,222	542,570
Stockholders' Equity		
Preferred stock, no par value, authorized 2,000,000 shares; no shares issued	—	—
Common stock, $1 par value; authorized 10,000,000 shares; issued 5,926,851 shares at March 31, 2019, and 5,926,851 shares at December 31, 2018; outstanding – 5,737,219 and 5,739,203 shares at March 31, 2019 and December 31, 2018, respectively	5,927	5,927
Additional paid-in capital	22,826	22,556
Retained earnings	25,153	24,321
Stock held by deferred compensation plan; 160,008 and 182,457 shares at March 31, 2019 and December 31, 2018	(1,932)	(1,701)
Unearned ESOP compensation	(335)	(404)
Accumulated other comprehensive loss	2,460	(10)
Treasury stock, at cost 29,024 and 5,744 shares at March 31, 2019 and December 31, 2018, respectively	(313)	(46)
Total stockholders' equity	53,786	50,643
Total liabilities and stockholders' equity	$ 621,008	$ 593,213

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.

Condensed Consolidated Statements of Income
Three Months Ended March 31, 2019 and 2018
(In thousands, except per share data)
(Unaudited)

	2019	2018
Interest and Dividend Income		
Loans, including fees	$ 5,235	$ 4,331
Securities		
Taxable	205	174
Non-taxable	724	32
Federal funds sold	85	27
Dividends on Federal Home Loan Bank and other stock	66	61
Total interest and dividend income	6,315	4,625
Interest Expense		
Deposits	1,126	457
Borrowings	81	66
Total interest expense	1,207	523
Net Interest Income	5,108	4,102
Provision for Loan Losses	90	57
Net Interest Income After Provision for Loan Losses	5,018	4,045
Noninterest Income		
Service charges on deposit accounts	713	631
Realized gains on sales of loans	4	14
Other income	228	235
Total noninterest income	945	880
Noninterest Expense		
Salaries and employee benefits	2,183	1,832
Occupancy and equipment	550	540
Loss on sale of foreclosed assets	—	13
Professional services	303	192
FDIC insurance	52	49
Insurance	111	103
Franchise and other taxes	105	96
Advertising	137	137
Stationery and office supplies	42	36
Other expenses	679	581
Total noninterest expense	4,162	3,579
Income Before Federal Income Taxes	1,801	1,346
Provision for Federal Income Taxes	187	198
Net Income	$ 1,614	$ 1,148
Basic Earnings Per Share	$ 0.28	$ 0.23
Diluted Earnings Per Share	$ 0.28	$ 0.23
Dividends Per Share	$ 0.13	$ 0.13

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Condensed Consolidated Statements of Comprehensive Income
Three Months Ended March 31, 2019 and 2018
(In thousands, except per share data)
(Unaudited)

	2019	2018
Net Income	$ 1,614	$ 1,148
Other comprehensive income, net of related tax effects		
Unrealized holding gain (loss) on securities during the period, net of taxes (benefits) of $656 and ($44) in 2019 and 2018, respectively	2,470	(170)
Comprehensive Income	$ 4,084	$ 978

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2019 and 2018
(In thousands except per share data)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock and Deferred Compensation	Shares Acquired By ESOP	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2018	$ 5,435	$ 18,020	$ (1,717)	$ (683)	$ 23,260	$ (420)	$ 43,895
Net income	—	—	—	—	1,148	—	1,148
Other comprehensive loss	—	—	—	—	—	(207)	(207)
Cash dividends - $0.13 per share	—	—	—	—	(683)	—	(683)
Shares purchased for deferred compensation plan	—	(128)	128	—	—	—	—
Expense related to share-based compensation plans	—	52	—	—	—	—	52
Restricted stock activity	125	(125)	—	—	—	—	—
Amortization of ESOP	—	—	—	69	—	—	69
Balance, March 31, 2018	5,560	17,819	(1,589)	(614)	23,725	(627)	44,274
Balance January 1, 2019	5,927	22,556	(1,747)	(404)	24,321	(10)	50,643
Net income	—	—	—	—	1,614	—	1,614
Other comprehensive income	—	—	—	—	—	2,470	2,470
Cash dividends - $0.1325 per share	—	—	—	—	(782)	—	(782)
Shares sold for deferred compensation plan	—	231	(231)	—	—	—	—
Repurchase of common stock	—	—	(267)	—	—	—	(267)
Expense related to share-based compensation plans	—	39	—	—	—	—	39
Amortization of ESOP	—	—	—	69	—	—	69
Balance, March 31, 2019	$ 5,927	$ 22,826	$ (2,245)	$ (335)	$ 25,153	$ 2,460	$ 53,786

United Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2019 and 2018
(In thousands)
(Unaudited)

	2019	2018
Operating Activities		
Net income	$ 1,614	$ 1,148
Items not requiring (providing) cash		
Depreciation and amortization	250	238
Amortization of intangible asset	37	—
Premium amortization on securities	66	3
Provision for loan losses	90	57
Gain on sale of loans	(4)	(14)
Expense related to share based compensation programs	40	—
Increase in value of bank-owned life insurance	167	(77)
Amortization of mortgage servicing rights	—	2
Originations of loans held for sale	(215)	(1,208)
Proceeds from sale of loans held for sale	219	1,222
Loss on sale of foreclosed assets	—	13
Expense related to share-based compensation plans and ESOP	69	121
Net change in accrued interest receivable and other assets	(807)	(75)
Net change in accrued expenses and other liabilities	(683)	(603)
Net cash provided by operating activities	843	827
Investing Activities		
Purchase of available-for-sale securities	(9,833)	(18,107)
Proceeds from maturity of available-for-sale securities	3,000	—
Net change in loans	(4,258)	(1,936)
Redemption of FHLB Stock	231	—
Purchases of premises and equipment	(330)	(413)
Net cash used in investing activities	(11,190)	(20,456)
Financing Activities		
Net change in deposits	$ 13,488	$ 18,097
Net change in securities sold under repurchase agreements	5,373	4,498
Repayment of Federal Home Loan Bank advances	(26)	(1,827)
Treasury Stock	(267)	—
Cash dividends paid	(782)	(683)
Net cash provided by financing activities	17,786	20,085
Increase in Cash and Cash Equivalents	7,439	456
Cash and Cash Equivalents, Beginning of Period	25,253	14,315
Cash and Cash Equivalents, End of Period	$ 32,692	$ 14,771
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$ 1,218	$ 517
Purchases of available-for-sale securities not settled	$ 5,465	$ —

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 March 31, 2019, 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 ended March 31, 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, 2018 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, Powhatan, 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. 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.

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.

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 five years. Management believes the five year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

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

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.

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

Earnings per share (EPS) were computed as follows:

	Three Months Ended March 31, 2019		
	Net Income (In thousands)	Weighted-Average Shares	Per Share Amount
Net income	$ 1,614		
Less allocated earnings on non-vested restricted stock	(27)		
Less allocated dividends on non-vested restricted stock	(23)		
Net income allocated to common stockholders	1,564	5,515,418	
Basic and diluted earnings per share			$ 0.28

	Three Months Ended March 31, 2018		
	Net Income (In thousands)	Weighted-Average Shares	Per Share Amount
Net income	$ 1,148		
Less allocated earnings on non-vested restricted stock	(14)		
Less dividends on non-vested restricted stock	(23)		
Net income allocated to common stockholders	1,111	4,874,479	
Basic and diluted earnings per share			$ 0.23

During 2018, earnings per share began to be presented using the two-class method. This two class method is an earnings allocation method under which earnings per share is calculated for common stock and participating securities, considering both dividends declared and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Basic earnings per share were previously disclosed at $0.22 and diluted earnings per share at $0.22 for the 3 months ended March 31, 2018.

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 2015.

Recently Adopted Accounting Pronouncements

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

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

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

Under the new guidance, a lessee will be required to recognize assets and liabilities for all 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. Right of use assets represents the Company's right to use the underlying assets for their lease terms and lease liabilities represent the obligation to make lease payments.

The Company adopted ASU 2016-02 January 1, 2019. The right of use asset and lease obligation recorded as of March 31, 2019 was approximately $126,000 and is reflected in other assets and interest payable and other liabilities, respectively on the balance sheet. The modified retrospective method was applied. Due to the immateriality of the impact, certain disclosures under ASU 842 have been omitted.

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.

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 run projections and reviewing segmentation to ensure it is fully compliant with the amendments at adoption date. We anticipate having an range of potential impact on the Company in the third quarter of 2019. For additional information on the allowance for loan losses, see Note 4.

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Available-for-sale Securities:				
March 31, 2019:				
U.S. government agencies	$ 42,250	$ —	$ (172)	$ 42,078
State and municipal obligations	93,282	3,958	—	97,240
Total debt securities	$ 135,532	$ 3,958	$ (172)	$ 139,318
Available-for-sale Securities:				
December 31, 2018:				
U.S. government agencies	$ 45,250	$ —	$ (500)	$ 44,750
State and municipal obligations	$ 78,083	$ 1,194	$ (36)	$ 79,241
Total debt securities	$ 123,333	$ 1,194	$ (536)	$ 123,991

The amortized cost and fair value of available-for-sale securities at March 31, 2019, 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.

	Available-for-sale	
	Amortized Cost	Fair Value
	(In thousands)	
Within one year	$ —	$ —
One to five years	47,715	47,543
Five to ten year	—	—
Due after ten years	87,817	91,775
Totals	$ 135,532	$ 139,318

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $42.1 million and $48.4 million at March 31, 2019 and December 31, 2018, respectively.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at March 31, 2019 was $42.1 million, which represented approximately 30% of the Company's available-for-sale investment portfolio. The total fair value of these investments at December 31, 2018 was $49.9 million, which represented approximately 40% 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 of an 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 March 31, 2019:

	March 31, 2019					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ —	$ —	$ 42,078	$ (172)	$ 42,078	$ (172)
Total temporarily impaired securities	$ —	$ —	$ 42,078	$ (172)	$ 42,078	$ (172)

	December 31, 2018					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
US Government agencies	$ ––	$ ––	$ 44,750	$ (500)	$ 44,750	$ (500)
State and municipal obligations	$ 5,182	$ (36)	$ ––	$ ––	$ 5,182	$ (36)
Total temporarily impaired securities	$ 5,182	$ (36)	$ 44,750	$ (500)	$ 49,932	$ (536)

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 March 31, 2019.

There were no sales of investment securities for the three months ended March 31, 2019 and March 31, 2018.

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	March 31, 2019	December 31, 2018
	(In thousands)	
Commercial loans	$ 94,396	$ 93,690
Commercial real estate	231,516	223,461
Residential real estate	76,883	78,767
Installment loans	11,101	13,765
Total gross loans	413,896	409,683
Less allowance for loan losses	(2,083)	(2,043)
Total loans	$ 411,813	$ 407,640

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.

Residential Real Estate and Consumer

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

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three month period ended March 31, 2019

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
			(In thousands)			
Allowance for loan losses:						
Balance, beginning of period	$ 389	$ 672	$ 519	$ 463	$ —	$ 2,043
Provision charged to expense	21	(50)	207	(88)	—	90
Losses charged off	(18)	—	—	(41)	—	(59)
Recoveries	1	—	1	7	—	9
Balance, end of period	$ 393	$ 622	$ 727	$ 341	$ —	$ 2,083
Ending balance: individually evaluated for impairment	$ —	$ 77	$ —	$ 68	$ —	$ 145
Ending balance: collectively evaluated for impairment	$ 393	$ 545	$ 727	$ 273	$ —	$ 1,938
Loans:						
Ending balance: individually evaluated for impairment	$ 88	$ 778	$ —	$ 435	$ —	$ 1,301
Ending balance: collectively evaluated for impairment	$ 94,308	$ 230,738	$ 76,883	$ 10,666	$ —	$ 412,595

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three month period ended March 31, 2018

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
			(In thousands)			
Allowance for loan losses:						
Balance, beginning of period	$ 537	$ 843	$ 436	$ 218	$ 88	$ 2,122
Provision charged to expense	(16	(173)	9	239	(2)	57
Losses charged off	—	—	—	(69)	—	(69)
Recoveries	1	1	1	12	—	15
Balance, end of period	$ 522	$ 671	$ 446	$ 400	$ 86	$ 2,125
Ending balance: individually evaluated for impairment	$ —	$ 77	$ —	$ —	$ —	$ 77
Ending balance: collectively evaluated for impairment	$ 522	$ 594	$ 446	$ 400	$ 86	$ 2,048
Loans:						
Ending balance: individually evaluated for impairment	$ 9	$ 612	$ —	$ 406	$ —	$ 1,027
Ending balance: collectively evaluated for impairment	$ 84,424	$ 198,722	$ 74,563	$ 11,749	$ —	$ 369,458

Allowance for Loan Losses and Recorded Investment in Loans
As of December 31, 2018

	Commercial	Commercial Real Estate	Residential	Installment	Unallocated	Total
			(In thousands)			
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ —	$ 85	$ —	$ —	$ —	$ 85
Ending balance: collectively evaluated for impairment	$ 389	$ 587	$ 519	$ 463	$ —	$ 1,958
Loans:						
Ending balance: individually evaluated for impairment	$ 57	$ 809	$ 93	$ —	$ —	$ 959
Ending balance: collectively evaluated for impairment	$ 93,633	$ 222,652	$ 78,767	$ 13,672	$ —	$ 408,724

The following tables show the portfolio quality indicators.

Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
			March 31, 2019 (In thousands)		
Pass Grade	$ 94,298	$ 226,305	$ 76,883	$ 10,666	$ 408,152
Special Mention	—	3,992	—	—	3,992
Substandard	98	1,219	435	—	1,752
Doubtful	—	—	—	—	—
	$ 94,396	$ 231,516	$ 77,318	$ 10,666	$ 413,896

Loan Class	Commercial	Commercial Real Estate	Residential	Installment	Total
			December 31, 2018 (In thousands)		
Pass Grade	$ 93,620	$ 219,485	$ 78,767	$ 13,672	$ 405,544
Special Mention	—	2,710	—	—	2,710
Substandard	70	1,266	93	—	1,429
Doubtful	—	—	—	—	—
	$ 93,690	$ 223,461	$ 78,860	$ 13,672	$ 409,683

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.

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 past year to date period.

Loan Portfolio Aging Analysis
As of March 31, 2019

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
				(In thousands)			
Commercial	$ 391	$ 45	$ —	$ —	$ 436	$ 93,960	$ 94,396
Commercial real estate	—	—	—	710	710	230,806	231,516
Residential	1,507	—	—	850	2,357	74,526	76,883
Installment	6	4	—	16	26	11,075	11,101
Total	$ 1,904	$ 49	$ —	$ 1,576	$ 3,529	$ 410,637	$ 413,896

Loan Portfolio Aging Analysis
As of December 31, 2018

	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 90 Days and Accruing	Non Accrual	Total Past Due and Non Accrual	Current	Total Loans Receivable
				(In thousands)			
Commercial	$ 98	$ 94	$ —	$ —	$ 192	$ 93,498	$ 93,690
Commercial real estate	—	—	——	741	741	222,720	223,461
Residential	1,704	262	155	485	2,606	76,161	78,767
Installment	72	4	——	19	95	13,670	13,765
Total	$ 1,874	$ 360	$ 155	$ 1,245	$ 3,634	$ 406,049	$ 409,683

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.

Impaired Loans

	As of March 31, 2019			Three Months Ended March 31, 2019	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
			(In thousands)		
Loans without a specific valuation allowance:					
Commercial	$ 88	$ 88	$ —	$ 89	$ —
Commercial real estate	379	379	—	376	1
Residential	244	244	—	250	4
	711	711	—	715	5
Loans with a specific valuation allowance:					
Commercial	—	—	—	—	—
Commercial real estate	399	399	77	408	—
Residential	191	191	68	191	—
	590	590	145	599	—
Total:					
Commercial	$ 88	$ 88	$ —	$ 89	$ —
Commercial real estate	$ 778	$ 778	$ 77	$ 784	$ 1
Residential	$ 435	$ 435	$ 68	$ 441	$ 4

Impaired Loans

	As of December 31, 2018			Three Months Ended March 31, 2018	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
			(In thousands)		
Loans without a specific valuation allowance:					
Commercial	$ 57	$ 57	$ —	$ 10	$ —
Commercial real estate	409	409	—	624	4
Residential	93	93	—	406	1
	559	559	—	1,040	5
Loans with a specific valuation allowance:					
Commercial	—	—	—	—	—
Commercial real estate	400	400	85	422	—
Residential	—	—	—	—	—
	400	400	85	422	—
Total:					
Commercial	$ 57	$ 57	$ —	$ 10	$ —
Commercial real estate	$ 809	$ 809	$ 85	$ 1,046	$ 4
Residential	$ 93	$ 93	$ —	$ 406	$ 1

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

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.

	Three Months ended March 31, 2019		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment (In thousands)	Post-Modification Outstanding Recorded Investment
Commercial	—	$ —	$ —
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Three Months ended March 31, 2019 (In thousands)			
	Interest Only	Term	Combination	Total Modification
Commercial	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

	Three Months ended March 31, 2018		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment (In thousands)	Post-Modification Outstanding Recorded Investment
Commercial	—	$ —	$ —
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Three Months ended March 31, 2018 (In thousands)			
	Interest Only	Term	Combination	Total Modification
Commercial	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

During the three months ended March 31, 2019 and 2018 and for three 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 March 31, 2019	Three months ended March 31, 2018
	(In thousands)	
Service cost	$ 75	$ 76
Interest cost	55	55
Expected return on assets	(102)	(111)
Amortization of prior service cost and net loss	1	(10)
Pension expense	$ 29	$ 10

All components of pension expense are reflected within the salaries and employee benefits line of the income statement.

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.

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

	March 31, 2019	December 31, 2018
	(In thousands)	
Commercial loans unused lines of credit	$ 36,060	$ 34,148
Commitment to originate loans	22,838	21,319
Consumer open end lines of credit	38,347	37,726
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:

	March 31, 2019	December 31, 2018
	(In thousands)	
Net unrealized gain (loss) on securities available-for-sale	$ 3,120	$ 658
Net unrealized loss for unfunded status of defined benefit plan liability	—	(671)
	3,120	(13)
Tax effect	(660)	3
Net-of-tax amount	$ 2,460	$ (10)

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

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. The Company's equity securities are classified within Level 1 of the 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 March 31, 2019 and December 31, 2018:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
March 31, 2019				
U.S. government agencies	$ 42,078	$ —	$ 42,078	$ —
State and municipal obligations	97,240	—	97,240	—
December 31, 2018				
U.S. government agencies	$ 44,750	$ —	$ 44,750	$ —
State and municipal obligations	$ 79,241	$ —	$ 79,241	$ —

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

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

The following 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 March 31, 2019 and December 31, 2018.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
March 31, 2019				
Collateral dependent impaired loans	$ 445	$ —	$ —	$ 445
December 31, 2018				
Collateral dependent impaired loans	$ 314	$ ––	$ ––	$ 314
Foreclosed assets held for sale	91	––	––	91

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 3/31/19	Valuation Technique	Unobservable Inputs	Range
		(In thousands)		
Collateral-dependent impaired loans	$ 445	Market comparable properties	Comparability adjustments	Not available

	Fair Value at 12/31/18	Valuation Technique	Unobservable Inputs	Range
		(In thousands)		
Collateral-dependent impaired loans	$ 314	Market comparable properties	Comparability adjustments	Not available
Foreclosed assets held for sale	91	Market comparable properties	Marketability discount	10% – 35%

There were no significant changes in the valuation techniques used during 2019.

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.

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
March 31, 2019:				
Financial assets	$ 32,692	$ 32,692	$ —	$ —
Cash and cash equivalents				
Loans, net of allowance	411,813	—	—	411,575
Federal Home Loan Bank stock	4,012	—	4,012	—
Accrued interest receivable	2,104	—	2,104	—
Financial liabilities				
Deposits	538,931	—	538,265	—
Short term borrowings	13,441	—	13,441	—
Federal Home Loan Bank Advances	80	—	79	—
Subordinated debentures	4,124	—	3,647	—
Interest payable	177	—	177	—

	Carrying Amount	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)		
December 31, 2018:				
Financial assets	$ 25,253	$ 25,253	$ —	$ —
Cash and cash equivalents				
Loans, net of allowance	407,640	—	—	405,033
Federal Home Loan Bank stock	4,243	—	4,243	—
Accrued interest receivable	1,798	—	1,798	—
Financial liabilities				
Deposits	525,443	—	524,010	—
Short term borrowings	8,068	—	8,068	—
Federal Home Loan Bank Advances	106	—	101	—
Subordinated debentures	4,124	—	3,647	—
Interest payable	188	—	188	—

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

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

The carrying amounts approximate fair value.

Loans

Fair values of loans and leases are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

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 March 31, 2019 and December 31, 2018.

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.

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

Remaining Contractual Maturity of the Agreement
(In thousands)

March 31, 2019	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreements					
U.S. government agencies	13,441	––	––	––	13,441
Total	$ 13,441	$ ––	$ ––	$ ––	$ 13,441

These borrowings were collateralized with U.S. government and agency securities with a carrying value of $16.9 million at March 31, 2019. Declines in the fair value would require the Company to pledge additional securities.

(In thousands)

December 31, 2018	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreements					
U.S. government agencies	$ 8,068	$ —	$ —	$ —	$ 8,068
Total	$ 8,068	$ —	$ —	$ —	$ 8,068

Securities with an approximate carrying value of $18.3 million at December 31, 2018, were pledged as collateral for repurchase borrowings.

Note 9: Acquisition

On June 14, 2018, the Company and Powhatan Point Community Bancshares, Inc. ("Powhatan Point") entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Powhatan Point merged with and into the Company on October 15, 2018. The First National Bank of Powhatan , wholly-owned subsidiary of Powhatan Point, operated from one full-service office located in Powhatan Point, Ohio. That office became a branch of Unified Bank after the merger.

Under the terms of the Merger Agreement, the shareholders of Powhatan Point received 6.9233 shares of common stock of United Bancorp and $28.52 in cash per outstanding share of Powhatan Point stock.

The merger with Powhatan Point was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration paid were recorded at their estimated fair values as of the merger date. The following table summarizes the allocation purchase prices for Powhatan Point.

(in thousands)

ASSETS			**LIABILITIES**		
Cash and cash equivalents	$	24,986	Deposits		
Deposits in other banks		3,461	Non interest bearing	$	19,287
FHLB stock		78	Savings		30,533
Investments		23,865	Certificates of Deposit		5,772
Commercial		3,019	Total Deposits		55,592
Residential		2,403			
Installment		1,357			
Total loans		6,779			
Premise and equipment, net		548	Interest payable and other liabilities		496
Core deposit intangible		1,028			
Goodwill		682			
Bank owned life insurance		612			
Accrued interest receivable		145			
Deferred federal income taxes		20			
Other assets		124			
Total assets purchased	$	62,328	Total liabilities assumed		
Common shares issued	$	4,711		$	56,088
Cash paid		1,529			
Estimated purchase price	$	6,240			

Of the total purchase price of $6.2 million, $1.0 has been allocated to core deposit intangible. Additionally, $682,000 has been allocated to goodwill. The core deposit will be amortized over 7 years on a straight line basis. Direct costs related to the acquisition were expensed as incurred and reflected in other noninterest expense in the consolidated statement of income for the year ended December 31, 2018. The amount of goodwill reflects the Company’s expansion in the Powhatan Point market and related synergies that are expected to result from the acquisition and represent the excess purchase price over the estimated fair value of the net assets acquired. The goodwill will not be amortizable in the Company’s financial statements and will not be deductible for tax purposes. 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 Company acquired various loans in the acquisition for which none had evidence of deterioration of credit quality since origination. The fair value of assets acquired includes loans with a fair value of $6,779,000. The gross principal and contractual interest due under the contracts is $6,875,000, of which $86,000 is expected to be uncollectible.

Note 10: Subsequent Event

On May 14, 2019 the Company issued $20,000,000 of junior subordinated debentures. The debentures bear interest at a fixed rate of 6.0% until May 2024, which then becomes a floating interest rate equal to the three-month LIBOR (or an equivalent index) plus 3.625%, resetting quarterly. Interest on the subordinated notes will be payable semiannually through May 2024 and quarterly thereafter through the maturity date of May 2029. Principal is due upon maturity. The debentures are unsecured and payable to various investors. For purposes of computing regulatory capital, the debentures are included in Tier 2 Capital. The subordinated notes may not be repaid in whole or in part prior to the fifth anniversary of the issue date (May 2019).

The following discusses the financial condition of the Company as of March 31, 2019, as compared to December 31, 2018, and the results of operations for the three months ended March 31, 2019, compared to the same period in 2018. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

Introduction

United Bancorp, Inc. reported net income of $1,614,000 and diluted earnings per share of $0.28 for the three months ended March 31, 2019, as compared to $1,148,000 and $0.23 respectively for 2018. These year-over-year improvements in UBCP's earnings are directly related to the Company executing its strategic vision to achieve profitable growth by growing in both an organic fashion and through acquiring other like-minded community banking organizations. Net income increased by $466,000, or 40.6%, on a year-over-year basis at the end of this most recently completed quarter. This increase in earnings is strongly correlated to the strong organic and acquisition-related growth that our Company experienced during the past twelve months. From an acquisition perspective (and, as previously reported), we acquired Powhatan Point Community Bancshares in the fourth quarter of last year and the merger is now completed…both financially and operationally. Even with the issuance of common shares to facilitate this purchase, our diluted earnings per share was $0.28 versus $0.23 the prior year, an increase of 21.7%. The combination of this acquisition and the strong organic growth that we achieved this past year facilitated the increase in the level of our Company's higher-yielding earning assets by $112.5 million, or 25.2%, on a year-over-year basis. This growth in earning assets was divided between steady growth in our Company's loan portfolio, which increased by $43.4 million or 11.7%, and solid growth in our investment portfolio, with securities and other restricted stock increasing by $69.1 million or 92%. With our increased level of higher-yielding earning assets, our Company saw a year-over-year increase in the level of interest income that it generated of $1.7 million or 36.6%.

In order to fund this strong growth in our earning assets, while improving our overall levels of profitability, our Company needed to attract a substantial level of cost effective funding. We achieved this by successfully growing our lower-cost, retail balances (consisting of noninterest bearing and interest bearing demand deposits and savings deposits) by $91.6 million, or 27%, year-over-year. The remaining growth in deposits came in the area of time deposits (consisting of certificates of deposit or term funding), which increased by $43.3 million since March 2018. By funding our above-peer growth in earning assets primarily with lower-costing retail funding this past year; even though we operated in a rising rate environment wherein, the Federal Open Market Committee (FOMC) increased the target rate for Federal funds by 1.0% over the course of the year, our Company was able to maintain its solid net interest margin. For the three months ended March 31, 2019, United Bancorp's net interest margin was 3.80%, compared to 3.86% for the same period in 2018.

From a qualitative perspective, we have successfully maintained overall strength and stability within our loan portfolio. Year-over-year, our Company continues to have very solid credit quality-related metrics supported by a relatively low level of nonaccrual loans, which was approximately $1.6 million, or 0.38 percent of total loans at March 31, 2019, compared to $1.4 million at March 31, 2018, an increase of $200,000. Further, net loans charged off, excluding overdrafts, was $18,000 for the three months ended March 31, 2019, which is a decrease of $14,000 from the previous year. We are very satisfied with the continued strong performance of our loan portfolio from a credit quality perspective. With the anticipation of our economy remaining fundamentally sound in the near to intermediate term, we anticipate that this trend will continue in the current year.

Considering that we anticipate our earning assets to continue growing at very acceptable levels and our overall credit quality to remain very solid, we strongly expect that we will be able to continue growing our earnings at the double-digit level that we experienced in the first quarter of this year throughout the course of 2019.

We greatly benefited from the positive execution of our strategic plan, which calls for us to grow through acquiring other like-minded community banking organizations and capitalizing on prudent, yet profitable, organic opportunities. Over the course of the past twelve months, we had success in both of these key areas on which we keenly focus. By profitably growing our Company, we achieved two milestones at March 31, 2019. One milestone is that for the first time in our history, our Company's first quarter net income exceeded $1.6 million. The second milestone is that, for the first time, our Company's total assets surpassed the $600 million threshold; finishing the quarter at $621 million, an increase of $132.6 million or 27.2% year-over-year. We are well on our way to achieving our current vision of having assets in excess of $1.0 billion within the course of the next few years and we strongly anticipate that we will continue to see our Company produce record levels of core earnings for the foreseeable future.

By continuing to utilize the "playbook" that we did last year to achieve profitable growth, we are very optimistic about our future prospects. In addition, we will continue focusing on building our infrastructure (or, foundation) to support further growth while achieving greater efficiencies. As we have previously stated, we are strongly committed to remaining relevant within our industry by investing in our technology and origination/service platforms. Ultimately, our vision is to become an omnichannel bank— by having complete channel integration and offering mobility to our customers— thereby, serving them on their terms and through their preferred channels. We have started this initiative and believe that, for a community-minded bank, we will have a complete digital solution that will be highly appealing to our target clientele within the next year or two. Coupling this investment in technology with continued investment in growing our Company through acquisition and new branch construction in key complimentary markets, we firmly believe that we can continue to grow at acceptable levels while remaining very profitable. Even with the high level of growth that we experienced over the course of the past twelve months, we continued to maintain our overall profitability. With our record earnings in the first quarter, our Company had a return on equity (ROE) of 12.0% and a return on assets (ROA) of 1.08% for the three months ended, March 31, 2019. We have stated for many quarters that our goal is to profitably grow our Company. We are extremely delighted that we are presently accomplishing this.

Our primary foci are rewarding our shareholders by paying a very solid cash dividend while driving their shareholder value in our Company. In the first quarter of this year, we increased our cash dividend payout from $0.13 to $0.1325 which, on a forward basis, produces a dividend yield of 4.88% based on our closing price as of the most recent quarter end. Regarding our present market valuation, on a forward basis we are currently trading at a price to earnings multiple of 9.7 times. With our market sector trading more in the range of 13.5 times at present, we are highly optimistic that we will see a higher market valuation in future periods… assuming that we continue to drive our earnings at the levels we have seen and currently project. Overall, we are extremely pleased with the direction that we are going and the results that we are producing. We continue to be highly 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 affect the Company's financial performance and cause actual results to differ materially from historical earnings and those presently anticipated or projected with respect to future periods. These risks and uncertainties should be considered in evaluating forward looking statements, and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including other factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

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

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. 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.

Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policies to be those which are related to the allowance for loan losses. 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 subjective 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.

This discussion of the Company's critical accounting policies should be read in conjunction with the Company's consolidated financial statements and the accompanying notes presented elsewhere herein, as well as other relevant portions of Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 March 31, 2019, gross loans were $413.9 million, compared to $409.7 million at December 31, 2018, an increase of $4.2 million after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of a $8.8 million increase in commercial and commercial real estate loans and a $1.9 million decrease in real estate lending and a $2.7 million decrease in installment loans since December 31, 2018.

Commercial and commercial real estate loans comprised 78.7% of total loans at March 31, 2019, compared to 77.4% at December 31, 2018. Commercial and commercial real estate loans have increased $8.8 million, or 2.8% since December 31, 2018. This segment of the loan portfolio includes originated loans in our market areas and purchased participations in loans from other banks for out-of-area commercial and commercial real estate loans to benefit from consistent economic growth outside the Company's primary market area.

Installment loans represented 2.7% of total loans at March 31, 2019 and 3.4% at December 31, 2018. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased $2.7 million, or 19.3%, since December 31, 2018. 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 18.6% of total loans at March 31, 2019 and 19.2% at December 31, 2018, representing a decrease of $1.9 million, or 2.4% since December 31, 2018. At March 31, 2019, the Company did not hold any loans for sale.

The allowance for loan losses totaled $2.1 million at March 31, 2019, which represented 0.50% of total loans, and $2.0 million at December 31, 2018, or 0.50% 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. Net loan charge-offs (exclusive of overdrafts) for the three months ended March 31, 2019 were approximately $31,000. Net loans charged off decreased approximately $14,000 for the three months ended March 31, 2019 as compared to the same period in 2018.

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 March 31, 2019 increased approximately $15.3 million from December 31, 2018 totals. 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 March 31, 2019, total core deposits (interest and non interest bearing accounts and savings) increased approximately $5.2 million, or 1.2% from December 31, 2018 totals. The Company's savings accounts decreased $328,000 or 0.3% from December 31, 2018 totals. The Company's interest-bearing and non-interest bearing demand deposits increased $5.6 million while certificates of deposit under $250,000 increased by $5.6 million.

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 March 31, 2019, certificates of deposit greater than $250,000 increased $2.7 million or 16.6%, from December 31, 2018 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 repurchase agreements increased approximately $5.4 million from December 31, 2018 totals.

Results of Operations for the Three Months Ended March 31, 2019 and 2018

Net Income

The reported diluted earnings per share was $0.28 for the quarter ended March 31, 2019 compared to $0.23 for the quarter ended March 31, 2018.

Net Interest Income

Net interest income increased $1.0 million or 24.6% for the three months ended March 31, 2019 compared to the same period in 2018. As previously mentioned, the growth of loans and investment securities was the driver for the increase in net interest income.

Provision for Loan Losses

The provision for loan losses was $90,000 for the three months ended March 31, 2019, compared to $57,000 for the same period in 2018. With the overall growth in the loan portfolio, the provision increased slightly year over year.

Noninterest Income

Noninterest income of the Company was up by $65,000 year-over-year. This increase in the fee-based income of the Company is directly attributed to the service charges on deposit accounts decreasing by a like amount over the same period.

Noninterest Expense

In anticipation of building its infrastructure for future growth, the Company saw its noninterest expense increase by $583,000 or 16.3% year-over-year. Most of the increase in our noninterest expense levels was related to personnel-related expenses on the production-side, which should lead to the Company realizing higher levels of revenue in the coming quarters. Non interest expense also increased due to inclusion of the non interest expense related to the acquisition of Powhatan Point Community Bancshares in the first quarter of 2019.

Federal Income Taxes

The provision for federal income taxes was $187,000 for the three months ended March 31, 2019, a decrease of $11,000 compared to the same period in 2018. The effective tax rate was approximately 10.4% and 14.7% for the three months ended March 31, 2019 and 2018, respectively.

Capital Resources

Internal capital growth, through the retention of earnings, is the primary means of maintaining capital adequacy for the Company. Stockholders' equity totaled $53.8 million at March 31, 2019 compared to $50.6 million at December 31, 2018, a $3.2 million increase. Total average stockholders' equity in relation to total assets was 8.66% at March 31, 2019 and 8.53% at December 31, 2018. The Company's Articles of Incorporation allows for 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.

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	10.98%
Tier 1 capital ratio	11.88%
Total capital ratio	12.34%
Leverage ratio	8.87%

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 purchase of federal funds, the ability to borrow funds under line of credit agreements with correspondent banks, a borrowing agreement with the Federal Home Loan Bank of Cincinnati and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy and profitability to meet the current and projected liquidity needs of its customers.

Inflation

Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with 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, 2018.

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 March 31, 2019, 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 March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part Of Publicly Announced Plans Or Programs	(d) Maximum Number or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 1/1/2019 to 1/31/2019	—	—	—	—
Month #2 2/1/2019 to 2/28/2019	—	—	—	—
Month #3 3/1/2019 to 3/31/2019	5,422	$ 11.10	—	—

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 a participant's account is distributed 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. On March 7, 2019 5,422 shares at price of $11.10 were purchased

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Exhibits

EX-3.1	Amended Articles of Incorporation of United Bancorp, Inc. (1)
EX-3.2	Amended and Restated Code of Regulations of United Bancorp, Inc. (2)
EX-4.0	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
EX 31.1	Rule 13a-14(a) Certification – CEO
EX 31.2	Rule 13a-14(a) Certification – CFO
EX 32.1	Section 1350 Certification – CEO
EX 32.2	Section 1350 Certification – CFO
EX 101.INS	XBRL Instance Document
EX 101.SCH	XBRL Taxonomy Extension Schema Document
EX 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
EX 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
EX 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Appendix B to the registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2001.

(2) Incorporated by reference to 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: May 15, 2019	By:	/s/Scott A. Everson Scott A. Everson President and Chief Executive Officer
Date: May 15, 2019	By:	/s/Randall M. Greenwood Randall M. Greenwood Senior Vice President, Chief Financial Officer and Treasurer

Exhibit Index

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification – Principal Executive Officer
31.2	Rule 13a-14(a) Certification – Principal Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

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Section 2: 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: May 15, 2019

/s/Scott A. Everson
Scott A. Everson, President and CEO

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATIONS

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

(b) 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:

(b) 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

(b) 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

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):

(b) 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: May 15, 2019

/s/Randall M. Greenwood
Randall M. Greenwood, CFO

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Section 4: EX-32.1 (EXHIBIT 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 March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Everson, 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

May 15, 2019

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Section 5: EX-32.2 (EXHIBIT 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 March 31, 2019 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

May 15, 2019

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