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 June 30, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:

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

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 definition of "accelerated filer", "large accelerated filer," "small 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 ☒

Indicate the number of shares outstanding of the issuer's classes of common stock as of the latest practicable date: As of August 7, 2020, 5,966,351 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)

	June 30, 2020 (Unaudited)	December 31, 2019
Assets		
Cash and due from banks	$ 7,785	$ 5,697
Interest-bearing demand deposits	13,862	9,288
Cash and cash equivalents	21,647	14,985
Available-for-sale securities	191,520	188,785
Loans, net of allowance for loan losses of $4,015 and $2,231 at June 30, 2020 and December 31, 2019, respectively	441,886	439,317
Premises and equipment	13,671	12,402
Federal Home Loan Bank stock	4,432	4,012
Foreclosed assets held for sale, net	719	819
Core deposit and other intangible assets	1,467	1,542
Accrued interest receivable	4,247	2,697
Bank-owned life insurance	17,442	17,196
Other assets	4,297	3,951
Total assets	$ 701,328	$ 685,706
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 384,379	$ 334,380
Savings	116,559	108,217
Time	92,789	105,472
Total deposits	593,727	548,069
Securities sold under repurchase agreements	9,494	6,915
Federal Home Loan Bank advances	---	39,800
Deferred federal income tax	2,233	1,736
Subordinated debentures	23,574	23,543
Interest payable and other liabilities	6,315	5,721
Total liabilities	635,343	625,784
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 5,966,351 shares June 20, 2020 and December 31, 2019 – 5,959,351 shares; outstanding 2020 – 5,723,952; 2019 - 5,740,817	5,966	5,959
Additional paid-in capital	22,845	22,871
Retained earnings	29,479	27,905
Stock held by deferred compensation plan; 2020 –162,806 shares, 2019 – 176,134 shares	(1,567)	(1,659)
Unearned ESOP compensation	(84)	(228)
Accumulated other comprehensive income	10,334	5,536
Treasury stock, at cost 2020 –79,593 shares, 2019 – 42,400 shares	(988)	(462)
Total stockholders' equity	65,985	59,922
Total liabilities and stockholders' equity	$ 701,328	$ 685,706

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Interest and dividend income				
Loans, including fees	$ 5,425	$ 5,399	$ 11,267	$ 10,634
Taxable securities	193	197	416	402
Non-taxable securities	1,299	849	2,496	1,573
Federal funds sold	4	146	33	231
Dividends on Federal Home Loan Bank stock and other	28	57	56	123
Total interest and dividend income	6,949	6,648	14,268	12,963
Interest expense				
Deposits				
Demand	523	594	1,128	1,165
Savings	7	52	23	98
Time	449	579	949	1,088
Borrowings	448	244	1,012	325
Total interest expense	1,427	1,469	3,112	2,676
Net interest income	5,522	5,179	11,156	10,287
Provision for loan losses	1,408	120	1,971	210
Net interest income after provision for loan losses	4,114	5,059	9,185	10,077
Noninterest income				
Service charges on deposit accounts	671	694	1,330	1,407
Realized gains on sales of available-for-sale securities	1,181	---	1,250	---
Realized gains on sales of loans	40	9	46	13
Other income	264	244	574	472
Total noninterest income	2,156	947	3,200	1,892
Noninterest expense				
Salaries and employee benefits	2,296	2,154	4,642	4,337
Net occupancy and equipment expense	609	567	1,215	1,117
Professional services	371	307	648	610
Insurance	112	111	230	222
Deposit insurance premiums	46	60	90	112
Franchise and other taxes	125	109	247	214
Advertising	143	138	218	275
Stationery and office supplies	26	28	52	70
Amortization of core deposit premium	38	37	75	75
Other expenses	813	661	1,572	1,302
Total noninterest expense	4,579	4,172	8,989	8,334
Income before federal income taxes	1,691	1,834	3,396	3,635
Federal income taxes	16	188	142	375
Net income	$ 1,675	$ 1,646	$ 3,254	$ 3,260
EARNINGS PER COMMON SHARE				
Basic	$ 0.29	$ 0.29	$ 0.57	$ 0.57
Diluted	$ 0.29	$ 0.29	$ 0.57	$ 0.57
DIVIDENDS PER COMMON SHARE	$ 0.1425	$ 0.135	$ 0.285	$ 0.2675

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 1,675	$ 1,646	$ 3,254	$ 3,260
Reclassification adjustment for realized gains on available-for-sale securities included in net income, net of taxes $248 and $263	(933)	---	(987)	---
Unrealized holding gains (losses) on securities during the period, net of tax of $816, $623, $1,538 and $1,280 for each respective period	3,070	2,345	5,785	4,815
Comprehensive income	$ 3,812	$ 3,991	$ 8,052	$ 8,075

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2020 and 2019
(In thousands except per share data)
(Unaudited)

	Three Months Ended						
	Common Stock	Additional Paid-in Capital	Treasury Stock and Deferred Compensation	Shares Acquired By ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, April 1, 2019	$ 5,927	$ 22,826	$ (2,245)	$ (335)	$ 25,153	$ 2,460	$ 53,786
Net income	––	––	––	––	1,646	––	1,646
Other comprehensive income	––	––	––	––	––	2,345	2,345
Cash dividends - $0.135 per share	––	––	––	––	(797)	––	(797)
Shares sold for deferred compensation plan	––	(379)	379	––	––	––	––
Repurchase of common stock	––	––	(149)	––	––	––	(149)
Expense related to share-based compensation plans	––	82	––	––	––	––	82
Restricted stock activity	12	(12)	---	––	––	––	---
Amortization of ESOP	––	––	––	67	––	––	67
Balance, June 30, 2019	5,939	22,517	(2,015)	(268)	26,002	4,805	56,980
Balance April 1, 2020	5,969	22,797	(2,510)	(149)	28,644	8,197	62,948
Net income	––	––	––	––	1,675	––	1,675
Other comprehensive income	––	––	––	––	––	2,137	2,137
Cash dividends - $0.1425 per share	––	––	––	––	(840)	––	(840)
Shares purchased for deferred compensation plan	––	45	(45)	––	––	––	––
Restricted stock activity	(3)	3	––	––	––	––	––
Amortization of ESOP	––	––	––	65	––	––	65
Balance, June 30, 2020	$ 5,966	$ 22,845	$ (2,555)	$ (84)	$ 29,479	$ 10,334	$ 65,985

See Notes to Condensed Consolidated Financial Statements

United Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2020 and 2019
(In thousands except per share data)
(Unaudited)

	Six Months Ended						
	Common Stock	Additional Paid-in Capital	Treasury Stock and Deferred Compensation	Shares Acquired By ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2019	5,927	22,556	(1,747)	(404)	24,321	(10)	50,643
Net income	––	––	––	––	3,260	––	3,260
Other comprehensive loss	––	––	––	––	––	4,815	4,815
Cash dividends - $0.2675 per share	––	––	––	––	(1,579)	––	(1,579)
Shares purchased for deferred compensation plan	––	(148)	148	––	––	––	––
Repurchase of common stock	––	---	(416)	––	––	––	(416)
Expense related to share-based compensation plans	––	121	––	––	––	––	121
Restricted stock activity	12	(12)	––	––	––	––	---
Amortization of ESOP	––	---	––	136	––	––	136
Balance, June 30, 2019	5,939	22,517	(2,015)	(268)	26,002	4,805	56,980
Balance January 1, 2020	5,959	22,871	(2,121)	(228)	27,905	5,536	59,922
Net income	––	––	––	––	3,254	––	3,254
Other comprehensive income	––	––	––	––	––	4,798	4,798
Cash dividends - $0.285 per share	––	––	––	––	(1,680)	––	(1,680)
Shares sold for deferred compensation plan	––	(92)	92	––	––	––	––
Repurchase of common stock	––	––	(526)	––	––	––	(526)
Expense related to share-based compensation plans	––	73	––	––	––	––	73
Restricted stock activity	7	(7)	––	––	––	––	––
Amortization of ESOP		––	––	144	––	––	144
Balance, June 30, 2020	$ 5,966	$ 22,845	$ (2,555)	$ (84)	$ 29,479	$ 10,334	$ 65,985

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended June 30, 2020	Six months ended June 30, 2019
Operating Activities		
Net income	$ 3,254	$ 3,260
Items not requiring (providing) cash		
Accretion of premiums and discounts on securities, net	218	142
Amortization of intangible asset	75	75
Depreciation and amortization	557	512
Expense related to share based compensation plans	73	121
Expense related to ESOP	143	136
Provision for loan losses	1,971	210
Increase in value of bank-owned life insurance	(246)	93
Gain on sale of loans	(46)	(13)
Proceeds from sale of loans held for sale	2,357	794
Originations of loans held for sale	(2,311)	(781)
(Gain) loss on sale or write down of foreclosed assets	(2)	5
Gain on sale of available-for-sale securities	(1,250)	---
Deferred income taxes	---	(206)
Amortization of debt instrument costs	30	
Net change in accrued interest receivable and other assets	(1,942)	(1,604)
Net change in accrued expenses and other liabilities	(185)	1,910
Net cash provided by operating activities	2,696	4,654
Investing Activities		
Securities available for sale:		
Maturities, prepayments and calls	6,178	6,250
Purchases	(21,351)	(32,174)
Proceeds from sale of available-for-sale securities	19,544	---
Net change in loans	(4,492)	(15,877)
(Purchase) redemption of Federal Home Loan Bank Stock	(420)	230
Purchases of premises and equipment	(1,847)	(836)
Proceeds from sale of foreclosed and fixed assets	123	86
Net cash used in investing activities	(2,265)	(42,321)

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended June 30, 2020	Six months ended June 30, 2019
Financing Activities		
Net change in deposits	$ 45,658	$ 20,804
Net change in securities sold under repurchase agreements	2,579	(394)
Net change in FHLB overnight borrowings	(39,800)	---
Proceeds from issuance of subordinated debentures, net of origination fees	---	19,396
Repayments of long-term borrowings	---	(105)
Repurchase of common stock	(526)	(416)
Cash dividends paid on common stock	(1,680)	(1,579)
Net cash provided by financing activities	6,231	37,706
Increase in Cash and Cash Equivalents	6.662	39
Cash and Cash Equivalents, Beginning of Period	14,985	25,253
Cash and Cash Equivalents, End of Period	$ 21,647	$ 25,292
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$ 1,990	$ 3,691
Purchases of available-for-sale securities not settled	$ ---	$ 7,187
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Transfers from loans to foreclosed assets held for sale	$ ---	$ 30

See Notes to Condensed Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

These interim financial statements are prepared without audit and reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position of United Bancorp, Inc. ("Company") at June 30, 2020, 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, 2019 included in its Annual Report on Form 10-K. Reference is made to the accounting policies of the Company described in the Notes to the Consolidated Financial Statements contained in its Annual Report on Form 10-K. The results of operations for the three months and six months ended June 30, 2020, 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, 2019 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 and are not considered "sub prime" type loans. The targeted lending areas of our Bank operations encompass four separate metropolitan areas, minimizing the risk to changes in economic conditions in the communities housing the Company's branch locations.

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

Revenue Recognition

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

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

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

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

Earnings per share (EPS) were computed as follows:

	Three Months Ended June 30, 2020		
	Net Income	**Weighted-Average Shares**	**Per Share Amount**
	(In thousands)		
Net income	$ 1,675		
Less allocated earnings on non-vested restricted stock	(35)		
Less allocated dividends on non-vested restricted stock	(34)		
Net income allocated to common stockholders	1,606		
		5,466,035	
Basic and diluted earnings per share			$ 0.29

	Three Months Ended June 30, 2019		
	Net Income	**Weighted-Average Shares**	**Per Share Amount**
	(In thousands)		
Net income	$ 1,646		
Less allocated earnings on non-vested restricted stock	(29)		
Less dividends on non-vested restricted stock	(26)		
Net income allocated to common stockholders	1,591		
		5,520,259	
Basic and diluted earnings per share			$ 0.29

	Six Months Ended June 30, 2020		
	Net Income	**Weighted-Average Shares**	**Per Share Amount**
	(In thousands)		
Net income	$ 3,254		
Less allocated earnings on non-vested restricted stock	(67)		
Less allocated dividends on non-vested restricted stock	(69)		
Net income allocated to common stockholders	3,118		
		5,464,899	
Basic and diluted earnings per share			$ 0.57

	Six Months Ended June 30, 2019		
	Net Income	Weighted-Average Shares	Per Share Amount
	(In thousands)		
Net income	$ 3,260		
Less allocated earnings on non-vested restricted stock	(57)		
Less dividends on non-vested restricted stock	(49)		
Net income allocated to common stockholders	3,154		
		5,517,852	
Basic and diluted earnings per share			$ 0.57

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 2016.

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.

On October 16, 2019, FASB approved a final ASU delaying the effective date of ASU 2016-13 for small reporting companies to interim and annual periods beginning after December 15, 2022. 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 review segmentation to ensure it is fully compliant with the amendments at adoption date. Additional work will be needed once additional guidance or clarification in the standard is given during the delay. For additional information on the allowance for loan losses, see Note 3.

Note 2: Securities

The amortized cost and approximate 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:				
June 30, 2020:				
U.S. government agencies	$ 32,000	$ 157	$ ---	$ 32,157
Subordinated notes	4,500	---	(7)	4,493
State and municipal obligations	140,558	$ 14,312	---	154,870
Total debt securities	$ 177,058	$ 14,469	$ (7)	$ 191,520

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Available-for-sale Securities:				
December 31, 2019:				
U.S. government agencies	$ 40,000	$ ––	$ (472)	$ 39,528
Subordinated notes	4,500	36	(4)	4,532
State and municipal obligations	135,897	$ 8,993	(165)	144,725
Total debt securities	$ 180,397	$ 9,029	$ (641)	$ 188,785

	Available-for-sale	
	Amortized Cost	Fair Value
	(In thousands)	
Within one year	$ ---	$ ---
One to five years	---	---
Five to ten year	36,500	36,650
Due after ten years	140,558	154,870
Totals	$ 177,058	$ 191,520

The carrying value of securities pledged to secure public deposits and for other purpose, was $45.0 million and $46.8 million at June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, was $1.9 million and $50.3 million, which represented approximately 1% and 27%, respectively, of the Company's available-for-sale investment portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

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

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2020 and December 31, 2019:

June 30, 2020

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(In thousands)				
US government agencies	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Subordinated notes	1,951	$ (7)	$ ---	$ ---	$ 1,951	$ (7)
State and municipal obligations	$ ---	$ ---	$ —	$ —	$ ---	$ ---
Total temporarily impaired securities	$ 1,951	$ (7)	$ ---	$ ---	$ 1,951	$ (7)

December 31, 2019

Description of Securities	Less than 12 Months				12 Months or More				Total			
	Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses	
			(In thousands)									
US government agencies	$	39,528	$	(472)	$	---	$	---	$	39,528	$	(472)
Subordinated notes		996	$	(4)	$	---	$	---	$	996	$	(4)
State and municipal obligations	$	9,831	$	(165)	$	—	$	—	$	9,831	$	(165)
Total temporarily impaired securities	$	50,355	$	(641)	$	---	$	---	$	50,355	$	(641)

The unrealized losses on the Company’s investments in Subordinated notes were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2020 and December 31, 2019

During the six months ended June 31, 2020 the Company sold $18.5 million of State and Municipal securities for a total gain of approximately $1,181,000 and the Company also sold $8.0 million of US Government Agency bonds for a total gain of approximately $69,000. There were no sales of investment securities for the three and six months ended June 30, 2019.

Note 3: Loans and Allowance for Loan Losses

Categories of loans include:

	June 30, 2020	December 31, 2019
	(In thousands)	
Commercial loans	$ 104,653	$ 99,995
Commercial real estate	248,541	254,651
Residential real estate	83,646	77,205
Installment loans	9,061	9,697
Total gross loans	445,901	441,548
Less allowance for loan losses	(4,015)	(2,231)
Total loans	$ 441,886	$ 439,317

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 and Installment

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

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three and six month periods ended June 30, 2020

	Commercial	Commercial Real Estate	Residential	Installment	Total
Allowance for loan losses:					
Balance, April 1, 2020	$ 1,055	$ 781	$ 567	$ 305	$ 2,708
Provision charged to expense	1,279	67	38	24	1,408
Losses charged off	---	(97)	(6)	(29)	(132)
Recoveries	10	---	1	20	31
Balance, June 30, 2020	$ 2,344	$ 751	$ 600	$ 320	$ 4,015
Balance, January 1, 2020	$ 568	$ 792	$ 572	$ 299	$ 2,231
Provision charged to expense	1,808	86	39	38	1,971
Losses charged off	(42)	(127)	(12)	(60)	(241)
Recoveries	10	---	1	43	54
Balance, June 30, 2020	$ 2,344	$ 751	$ 600	$ 320	$ 4,015
Allocation:					
Ending balance: individually evaluated for impairment	$ 7	$ ---	$ ---	$ ---	$ 7
Ending balance: collectively evaluated for impairment	$ 2,337	$ 751	$ 600	$ 320	$ 4,008
Loans:					
Ending balance: individually evaluated for impairment	$ 82	$ 587	$ 493	$ 139	$ 1,301
Ending balance: collectively evaluated for impairment	$ 104,571	$ 247,954	$ 83,153	$ 8,922	$ 444,600

Allowance for Loan Losses and Recorded Investment in Loans
As of and for the three and six month periods ended June 30, 2019

	Commercial	Commercial Real Estate	Residential	Installment	Total
Allowance for loan losses:					
Balance, April 1, 2019	$ 393	$ 622	$ 727	$ 341	$ 2,083
Provision charged to expense	(131)	177	51	23	120
Losses charged off	---	---	(40)	(41)	(81)
Recoveries	---	---	9	11	20
Balance, June 30, 2019	$ 262	$ 799	$ 747	$ 334	$ 2,142
Balance, January 1, 2019	$ 389	$ 672	$ 519	$ 463	$ 2,043
Provision charged to expense	(110)	127	258	(65)	210
Losses charged off	(18)	––	(40)	(82)	(140)
Recoveries	1	---	10	18	29
Balance, June 30, 2019	$ 262	$ 799	$ 747	$ 334	$ 2,142
Allocation:					
Ending balance: individually evaluated for impairment	$ 28	$ 80	$ 69	$ ---	$ 177
Ending balance: collectively evaluated for impairment	$ 234	$ 719	$ 678	$ 334	$ 1,965
Loans:					
Ending balance: individually evaluated for impairment	$ 1,349	$ 774	$ 431	$ ---	$ 2,554
Ending balance: collectively evaluated for impairment	$ 101,828	$ 234,831	$ 75,814	$ 10,406	$ 422,879

The following tables show the portfolio quality indicators.

Loan Class	Commercial		Commercial Real Estate		Residential		Installment		Total
				June 30, 2020					
				(In thousands)					
Pass Grade	$ 104,566	$	244,765	$	83,066	$	8,922	$	441,319
Special Mention	---		2,958		---		---		2,958
Substandard	87		818		580		139		1,624
Doubtful	---		---		---		---		---
	$ 104,653	$	248,541	$	83,646	$	9,061	$	445,901

Loan Class	Commercial		Commercial Real Estate		Residential		Installment		Total
				December 31, 2019					
				(In thousands)					
Pass Grade	$ 99,924	$	249,563	$	76,611	$	9,697	$	435,795
Special Mention	—		4,016		—		—		4,016
Substandard	71		1,072		594		---		1,737
Doubtful	—		—		—		—		—
	$ 99,995	$	254,651	$	77,205	$	9,697	$	441,548

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 current and past year to date periods presented.

Loan Portfolio Aging Analysis
As of June 30, 2020

	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	$ 13	$ ---	$ ---	$ 43	$ 56	$ 104,597	$ 104,653
Commercial real estate	---	---	---	556	556	247,985	248,541
Residential	133	229	---	980	1,342	82,304	83,646
Installment	---	---	---	---	---	9,061	9,061
Total	$ 146	$ 229	$ ---	$ 1,579	$ 1,954	$ 442,947	$ 445,901

Loan Portfolio Aging Analysis
As of December 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	$ 129	$ 132	$ —	$ 30	$ 291	$ 99,704	$ 99,995
Commercial real estate	—	214	197	348	759	253,892	254,651
Residential	448	---	29	1,074	1,551	75,654	77,205
Installment	58	1	—	---	59	9,638	9,697
Total	$ 635	$ 347	$ 226	$ 1,452	$ 2,660	$ 438,888	$ 441,548

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 June 30, 2020			For the three months ended June 30, 2020		For the six months ended June 30, 2020	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
				(In thousands)			
Loans without a specific valuation allowance:							
Commercial	$ 60	$ 60	$ ––	$ 66	$ ---	$ 66	$ 6
Commercial real estate	587	587	––	588	5	588	5
Residential	493	493	––	591	12	591	14
Installment	139	139	––	151	4	151	4
	1,279	1,279	––	1,396	21	1,396	29
Loans with a specific valuation allowance:							
Commercial	22	22	7	24	---	24	1
Commercial real estate	---	---	---	---	---	---	---
Residential	---	---	---	---	---	---	––
Installment	––	––	––	––	---	––	---
	22	22	7	24	---	24	1
Total:							
Commercial	$ 82	$ 82	$ 7	$ 90	$ --	$ 90	$ 7
Commercial real estate	$ 587	$ 587	$ ---	$ 588	$ 5	$ 588	$ 5
Residential	$ 493	$ 493	$ ---	$ 591	$ 12	$ 591	$ 14
Installment	$ 139	$ 139	$ ––	$ 151	$ 4	$ 151	$ 4

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

Impaired Loans

	As of December 31, 2019			For the three months ended June 30, 2019		For the six months ended June 30, 2019	
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
				(In thousands)			
Loans without a specific valuation allowance:							
Commercial	$ 71	$ 71	$ ––	$ 466	$ 4	$ 465	$ 4
Commercial real estate	371	371	––	387	5	373	6
Residential	594	594	––	248	3	249	7
Installment	---	---	––	---	---	----	---
	1,036	1,036	––	1,101	12	1,087	17
Loans with a specific valuation allowance:							
Commercial	---	---	---	885	11	882	11
Commercial real estate	---	---	---	411	---	409	---
Residential	––	––	––	191	––	191	––
Installment	––	––	––	––	---	––	---
	---	---	---	1,487	11	1,482	11
Total:							
Commercial	$ 71	$ 71	$ ---	$ 1,351	$ 15	$ 1,347	$ 15
Commercial real estate	$ 371	$ 371	$ ---	$ 798	$ 5	$ 782	$ 6
Residential	$ 594	$ 594	$ ––	$ 439	$ 3	$ 440	$ 7
Installment	$ ---	$ ---	$ ––	$ ---	$ ---	$ ---	$ ---

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 June 30, 2020		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)	
Commercial	1	$ 23	$ 23
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Three Months Ended June 30, 2020			
	Interest Only	Term	Combination	Total Modification
		(In thousands)		
Commercial	$ —	$ 23	$ —	$ 23
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

	Six Months ended June 30, 2020		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)	
Commercial	3	$ 106	$ 106
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Six Months Ended June 30, 2020			
	Interest Only	Term	Combination	Total Modification
		(In thousands)		
Commercial	$ —	$ 106	$ —	$ 106
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

	Three Months ended June 30, 2019		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)	
Commercial	—	$ —	$ —
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Three Months Ended June 30, 2019			
	Interest Only	Term	Combination	Total Modification
		(In thousands)		
Commercial	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

	Six Months ended June 30, 2019		
	Number of Contracts	Pre- Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(In thousands)	
Commercial	—	$ —	$ —
Commercial real estate	—	—	—
Residential	—	—	—
Installment	—	—	—

	Six Months Ended June 30, 2019			
	Interest Only	Term	Combination	Total Modification
		(In thousands)		
Commercial	$ —	$ —	$ —	$ —
Commercial real estate	—	—	—	—
Residential	—	—	—	—
Consumer	—	—	—	—

During the six months ended June 30, 2020 and 2019 troubled debt restructurings did not have an impact on the allowance for loan losses. At June 30, 2020 and 2019 and for three and six month periods then ended, there were no 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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Service cost	$ 98	$ 75	$ 196	$ 150
Interest cost	59	55	118	110
Expected return on assets	(117)	(102)	(234)	(204)
Amortization of prior service cost and net loss	13	1	26	2
Pension expense	$ 53	$ 29	$ 106	$ 58

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:

	June 30, 2020	December 31, 2019
	(In thousands)	
Commercial loans unused lines of credit	$ 39,017	$ 40,538
Commitment to originate loans	48,078	38,722
Consumer open end lines of credit	51,373	38,575
Standby lines of credit	46	46

Note 6: Accumulated Other Comprehensive Income

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

	June 30, 2020	December 31, 2019
	(In thousands)	
Net unrealized gain on securities available-for-sale	$ 14,462	$ 8,389
Net unrealized loss for unfunded status of defined benefit plan liability	(1,381)	(1,381)
	13,081	7,008
Tax effect	(2,747)	1,472
Net-of-tax amount	$ 10,334	$ 5,536

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

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and December 31, 2019:

		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)**
June 30, 2020				
U.S. government agencies	$ 32,157	$ ---	$ 32,157	$ ---
Subordinated Notes	$ 4,493	$ ---	$ 4,493	$ ---
State and municipal obligations	$ 154,870	$ ---	$ 154,870	$ ---
December 31, 2019				
U.S. government agencies	$ 39,528	$ ––	$ 39,528	$ ––
Subordinated Notes	$ 4,532	$ ---	$ 4,532	$ ---
State and municipal obligations	$ 144,725	$ ––	$ 144,725	$ ––

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

Impaired Loans (Collateral Dependent)

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

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

Foreclosed Assets Held for Sale

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

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

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and December 31, 2019.

		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)			
June 30, 2020				
Collateral dependent impaired loans	$ 15	$ —	$ —	$ 15
Foreclosed assets held for sale	---	---	---	---
December 31, 2019				
Collateral dependent impaired loans	$ ---	$ —	$ —	$ ---
Foreclosed assets held for sale	---	—	—	---

Unobservable (Level 3) Inputs

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

	Fair Value at 6/30/20	Valuation Technique	Unobservable Inputs	Range
	(In thousands)			
Collateral-dependent impaired loans	$ 15	Market comparable properties	Marketability discount	10% - 25%
Foreclosed assets held for sale	$ ---	Market comparable properties	Marketability discount	10% – 35%

	Fair Value at 12/31/19	Valuation Technique	Unobservable Inputs	Range
	(In thousands)			
Collateral-dependent impaired loans	$ ---	Market comparable properties	Marketability discount	10% - 25%
Foreclosed assets held for sale	$ ---	Market comparable properties	Marketability discount	10% – 35%

There were no significant changes in the valuation techniques used during 2020 and 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)		
June 30, 2020				
Financial assets				
Cash and cash equivalents	$ 21,647	$ 21,647	$ ––	$ ––
Loans, net of allowance	441,886	––	––	441,835
Federal Home Loan Bank stock	4,432	––	4,432	––
Accrued interest receivable	4,247	––	4,247	––
Financial liabilities				
Deposits	593,727	––	592,466	––
Short term borrowings	9,464	––	9,464	––
Federal Home Loan Bank Advances	---	––	---	––
Subordinated debentures	23,574	––	22,851	––
Interest payable	379		379	––

		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)		
December 31, 2019:				
Financial assets				
Cash and cash equivalents	$ 14,985	$ 14,985	$ ––	$ ––
Loans, net of allowance	439,317	––	––	437,688
Federal Home Loan Bank stock	4,012	––	4,012	––
Accrued interest receivable	2,697	––	2,697	––
Financial liabilities				
Deposits	548,069	––	548,130	––
Short term borrowings	6,915	––	6,915	––
Federal Home Loan Bank Advances	39,800	––	39,800	––
Subordinated debentures	23,543	––	22,857	––
Interest payable	213	––	213	––

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 June 30, 2020 and December 31, 2019.

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.

At June 30, 2020 and December 31, 2019, repurchase agreement borrowings totaled $9,494,000 and $6,915,000, respectively and are included in short-term borrowings on the consolidated condensed balance sheets. All repurchase agreements are subject to term and conditions of repurchase/security agreements between the Company and the customer and are accounted for as secured borrowings and reflected in short-term borrowings.

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

Remaining Contractual Maturity of the Agreement

(In thousands)

June 30, 2020	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreements					
U.S. government agencies	$ 9,494	$ —	$ —	$ —	$ 9,494
Total	$ 9,494	$ —	$ —	$ —	$ 9,494

December 31, 2019	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase Agreements					
U.S. government agencies	$ 6,915	$ —	$ —	$ —	$ 6,915
Total	$ 6,915	$ —	$ —	$ —	$ 6,915

These borrowings were collateralized with U.S. government and agency securities with a carrying value of $17.7 million at June 30, 2020 and $9.4 million at December 31, 2019. Declines in the fair value would require the Company to pledge additional securities.

Note 9: Core Deposits and Other Intangible Assets

The following table shows the changes in the carrying amount of goodwill for June 30, 2020 and December 31, 2019 (in thousands):

	June 30, 2020	December 31, 2019
Balance beginning of year	$ 682	$ 682
Additions from acquisition	---	---
Balance, end of period	$ 682	$ 682

Intangible assets in the consolidated balance sheets at June 30, 2020 and December 31, 2019 were as follows (in thousands):

	Six Months Ended June 30, 2020			Year Ended December 31, 2019		
	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
Core deposit intangibles	$ 1,041	256	785	1,041	181	860

The estimated aggregate future amortization expense for each of the next five years for intangible assets remaining as of June 30, 2020 is as follows (in thousands):

2020	$ 90
2021	181
2022	181
2023	181
2024	152

At each reporting date between annual goodwill impairment tests, the Company considers potential indicators of impairment. Given the current economic uncertainty and volatility surrounding COVID-19, the Company assessed whether the events and circumstances resulted in it being more likely than not that the fair value of any reporting unit was less than its carrying value. Impairment indicators considered comprised the condition of the economy and banking industry; government intervention and regulatory updates; the impact of recent events to financial performance and cost factors of the reporting unit; performance of the Company’s stock and other relevant events. The Company further considered the amount by which fair value exceeded book value in the most recent quantitative analysis and sensitivities performed. At the conclusion of the assessment, the Company determined that as of June 30, 2020 it was more likely than not that the fair value exceeded its carrying values. The Company will continue to monitor developments regarding the COVID-19 pandemic and measures implemented in response to the pandemic, market capitalization, overall economic conditions and any other triggering events or circumstances that may indicate an impairment of goodwill in the future.

The following discusses the financial condition of the Company as of June 30, 2020, as compared to December 31, 2019, and the results of operations for the three and six months ended June 30, 2020, compared to the same period in 2019. This discussion should be read in conjunction with the interim condensed consolidated financial statements and related footnotes included herein.

Introduction

United Bancorp, Inc. reported diluted earnings per share of $0.57 and net income of $3,254,000 for the six months ended June 30, 2020, as compared to $0.57 and $3,260,000, respectively, for the corresponding six-month period in 2019. The Company's diluted earnings per share for the three months ended June 30, 2020 was $0.29 as compared to $0.29 for the same period in the previous year. Even though the Company achieved the same level of earnings on a year-over-year basis, year-to-date earnings were negatively impacted by a higher provision for loan losses in recognition of the unprecedented economic environment in which it is presently operating due to the global Covid-19 pandemic.

As noted above, our Company achieved diluted earnings per share of $0.29 for the second quarter of 2020 and $0.57 year-to-date--- which was the same for both corresponding periods the previous year--- even though we booked an additional $1,761,000 of loan loss provision to give proper recognition to the risks posed to our Company by the continuing COVID-19 pandemic. Contributing to our achievement of a sound level of earnings this past quarter was the solid growth that our Company experienced in its earning assets on a year-over-year basis. Year-over-year, gross loans increased by $20.5 million, or 4.8%, and securities and other restricted stock increased by $30.3 million or 18.3%. This strong growth in our earning assets, along with robust loan fee generation during the first six months of this year, led to an increase in total interest income of $1.3 million, or 10.1%, over the previous year. As we have formerly disclosed, our Company started to position its balance sheet to be more liability sensitive over the course of the past year in response to the FOMC's sudden change in the direction of monetary policy, which helped to control overall interest expense levels. Even with this change, interest expense did increase by $436,000 over last year's level. But, with our focus on both growing assets and aggressively managing our sensitivity, our Company saw a year-over-year increase in its net interest income of $868,000 or 8.4%. As of June 30, 2020, our Company's net interest margin was 3.52%, which compares favorably to our peer.

Even though we fully realize that the continuing pandemic situation has the potential to change our qualitative metrics relating to credit, we have successfully maintained overall strength and stability within our loan portfolio as of June 30, 2020. Year-over-year, our Company continues to have very solid credit quality-related metrics supported by a relatively low level of nonaccrual loans and loans past due 30 plus days, which were $2.0 million, or 0.43 percent of total loans, at quarter end versus $3.3 million and 0.79 percent, respectively, the previous year. Further, net loans charged off, excluding overdrafts, was $162,000, or .07% annualized. With our additional provision for loan losses this past quarter, our total allowance for loan losses increased forty basis points over the course of the past twelve months to a level of 0.90% and our total allowance for loan losses to nonaccrual loans was 254.2%, both of which are up significantly year-over-year. We are committed under the present situation with which we are confronted to closely work with our valued loan customers to keep their loans current by adopting payment relief practices fully supported by present regulatory and accounting guidance. We are hopeful that these positive actions will allow our customers to weather this present storm and our Company to maintain overall sound credit quality. Toward the end of the most recent quarter, we have started to see a large percentage of our loan customer base that received some level of payment relief begin to resume contractual payments on their loans. We are hopeful that this current trend will continue over the course of the remainder of the year; but, being realistic, we firmly recognize that our credit quality metrics could become worse if our economy does not normalize in the near term. UBCP continues to have very sound levels of capital. As previously announced in the second quarter of last year, we enhanced our capital levels by issuing $20.0 million in subordinated debt at very favorable terms. Even though this capital is only measured at the bank-level, it has provided some very welcome cushion during these very challenging times. Overall, our Company saw shareholder's equity grow by $9.0 million, or 15.8%, year-over-year, and its book value increase by $1.69 or 17.4%.

As our Company continues to navigate through these very uncertain times, we are extremely grateful to report on our level of quarterly and six month earnings for 2020. Even though the earnings that we achieved for both of these periods equaled those realized last year when we had a record year, we continue to posture our Company for a longer duration downturn due to the negative macroeconomic forces with which we are presently confronted related to the impacts of the COVID-19 pandemic on both our domestic and world economies. Accordingly, we did sell some investment securities in the most recently ended quarter, which led to a gain of $1.18 million. With the present gain position that we have within our investment portfolio, we felt a partial monetization of this gain was prudent under the current circumstances in order to further build our allowance for loan losses to protect our Company. On a year-over-year basis, our allowance for loan losses has increased by $1.873 million or 87.4%. We are somewhat encouraged by the continuing strong performance of our overall loan portfolio; but, we firmly realize that some of the potential risk within this portfolio could be masked due to present payment relief practices and government stimulus support which ultimately will go away. Only time will truly tell how great this potential risk is for our Company and all financial institutions. We are comforted to know that our Company continues to be well capitalized under regulatory and industry guidelines, which should help us weather any storm that may confront us. In addition, our Company has always had a long-term view, predicated on sound underwriting practices, superior customer service and prudent liquidity and capital management, which has served us well through various operating environments. We are confident that this operating philosophy will, once again, prove to be sound as we support our customers and work through this present crisis; therefore, protecting our shareholder value.

From an operating perspective, our Company was able to get back to some semblance of normalcy during the latter part of the second quarter as we reopened our lobbies and, once again, began in-person banking without a scheduled appointment. Although we are now open to the public once again, we are taking extreme precautions in our operations by following strict and evolving guidance provided by both governmental and health department authorities.

Forward-Looking Statements

When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Bank's market areas, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Bank's market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any statements expressed with respect to future periods.

The Company is not aware of any trends, events or uncertainties that will have or are reasonably likely to have a material effect on its financial condition, results of operations, liquidity or capital resources except as discussed herein. The Company is not aware of any current recommendation by regulatory authorities that would have such effect if implemented except as discussed herein.

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

Critical Accounting Policies

Management makes certain judgments that affect the amounts reported in the financial statements and footnotes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements, and as this information changes, the financial statements could reflect different estimates, assumptions, and judgments.

The procedures for assessing the adequacy of the allowance for loan losses reflect our evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses.

The allowance is regularly reviewed by management and the board to determine whether the amount is considered adequate to absorb probable losses. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based on the size, quality and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay and current economic and industry conditions. Also, considered as part of that judgment, is a review of the Company'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.

Analysis of Financial Condition

Earning Assets – Loans

Our focus as a community bank is to meet the credit needs of the markets we serve. At June 30, 2020, gross loans were $445.9 million, compared to $441.5 million at December 31, 2019, an increase of $4.4 million after offsetting repayments for the period. The overall increase in the loan portfolio was comprised of a $1.5 million decrease in commercial and commercial real estate loans, a $6.4 million increase in residential loans and a $500,000 decrease in installment loans since December 31, 2019.

Commercial and commercial real estate loans comprised 79.2% of total loans at June 30, 2020, compared to 80.3% at December 31, 2019. This segment of the loan portfolio includes originated loans in our market areas and purchased participations in loans from other banks.

Installment loans represented 2.0% of total loans at June 30, 2020 and 2.1% at December 31, 2019. Some of the installment loans carry somewhat more risk than real estate lending; however, it also provides for higher yields. Installment loans have decreased $500,000, since December 31, 2019. 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 18.8% of total loans at June 30, 2020 and 17.6% at December 31, 2019, representing an increase of $6.4 million, since December 31, 2019. At June 30, 2020, the Company did not hold any loans for sale.

The allowance for loan losses totaled $4.0 million at June 30, 2020, which represented 0.90% of total loans, and $2.2 million at December 31, 2019, 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. For the three and six month ended June 30, 2020, Management did update its model to account for the recent market conditions brought on by the COVID-19 pandemic. Management believes the current balance of the allowance for loan losses is adequate to absorb probable incurred credit losses associated with the loan portfolio. The Company had (excluding overdrafts) net charge-offs of $162,000 for the six months ended June 30, 2020 compared to $56,000 for the six months ended June 30, 2019.

Earning Assets – Securities

The securities portfolio is comprised of U.S. Government agency-backed securities, tax-exempt obligations of state and political subdivisions and certain other investments. Securities available for sale at June 30, 2020 increased approximately $2.7 from December 31, 2019 totals.

Sources of Funds – Deposits

The Company's primary source of funds is core deposits from retail and business customers. These core deposits include all categories of interest-bearing and noninterest-bearing deposits, excluding certificates of deposit greater than $250,000. For the period ended June 30, 2020, total core deposits increased approximately $42.3 million or 7.8%. The Company's savings accounts increased $8.3 million, or 7.7%, from December 31, 2019 totals. The Company's interest-bearing and non-interest bearing demand deposits increased $50.0 million, or 15.0%, while certificates of deposit under $250,000 decreased by $10.6 million, or 11.6%. The Company considers core deposit to be stable; therefore, the amount of funds anticipated to flow out in the next three to six months is not considered material to the overall liquidity position of the Company.

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

Certificates of deposit greater than $250,000 are not considered part of core deposits and, as such, are used to balance rate sensitivity as a tool of funds management. At June 30, 2020, certificates of deposit greater than $250,000 decreased $2.1 million or 14.9%, from December 31, 2019 totals.

Sources of Funds – Long Term Debt

During the second quarter of 2019 the Company announced a private placement of $20 million in fixed-to-floating rate subordinated notes due 2029 (the "Notes"). The Notes have been structured to qualify as Tier 2 capital under bank regulatory guidelines, and the proceeds from the sale of the Notes are being utilized to support regulatory capital ratios and for general corporate purposes, including growth initiatives at United Bancorp.

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

Other interest-bearing liabilities include securities sold under agreements to repurchase and Federal Home Loan Bank ("FHLB") advances. The majority of the Company's repurchase agreements are with local school districts and city and county governments. The Company's short-term borrowings increased approximately $2.6 million from December 31, 2019 totals.

Results of Operations for the Six Months Ended June 30, 2020 and 2019

Net Income

For the six months ended June 30, 2020 the Company reported net earnings of $3,254,000, compared to $3,260,000 for the six months ended June 30, 2019. On a per share basis, the Company's diluted earnings were $0.57 for the six months ended June 30, 2020 and for the six months ended June 30, 2019.

Net Interest Income

Net interest income, by definition, is the difference between interest income generated on interest-earning assets and the interest expense incurred on interest-bearing liabilities. Various factors contribute to changes in net interest income, including volumes, interest rates and the composition or mix of interest-earning assets in relation to interest-bearing liabilities. Net interest income before the provision for loan losses increased 8.4%, or $868,000 million for the six months ended June 30, 2020 compared to the same period in 2019. As previously mentioned, the strong growth of loans and securities was the driver for the increase in net interest income.

Provision for Loan Losses

The provision for loan losses was $1,971,000 for the six months ended June 30, 2020, compared to $210,000 for the same period in 2019. With the overall concerns with the COVID-19 pandemic and the negative impact on the economy, additional provisions are prudent.

Noninterest Income

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

Noninterest income for the six months ended June 20, 2020 as compared to the same period in 2019 increased $1.3 million or 69.1%. The main driver of this increase was the $1,250,000 gain recognized on the sale of available-for- sale securities.

Noninterest Expense

The Company saw its noninterest expense increase by $655,000 or 7.6% year-over-year. Most of the increase in our noninterest expense levels was related to personnel-related expenses on the production-side. We also enhanced our Marketing Function by hiring an executive who truly understands how to help us better build its brand identity. The Company also focused on furthering enhancing our customer experience by developing the Unified Care Center. This care center offers our customers with extended service in the evenings and weekends.

Federal Income Taxes

The provision for federal income taxes was $142,000 for the six months ended June 30, 2020, a decrease of $233,000 compared to the same period in 2019. The effective tax rate was 4.2% and 10.2% for the six months ended June 30, 2020 and 2019, respectively. The effective tax rate is lower in 2020 due to the increase in tax exempt state and political subdivision investments.

Results of Operations for the Three Months Ended June 30, 2020 and 2019

Net Income

For the three months ended June 30, 2020 the Company reported net earnings of $1,675,000, compared to $1,646,000 for the three months ended June 30, 2019. On a per share basis, the Company's diluted earnings were $0.29 for the three months ended June 30, 2020 and for 2019.

Net Interest Income

Net interest income increased 6.6%, or $343,000 for the three months ended June 30, 2020 compared to the same period in 2019. This increase was mainly driven by an increase in non-taxable security interest income of $450,000 or 53.3% for the three months ended June 30, 2020 over the same period in 2019.

Provision for Loan Losses

The provision for loan losses was $1,408,000 for the three months ended June 30, 2020, compared to $120,000 for the same period in 2019. With the overall concerns with the COVID-19 pandemic and the negative impact on the economy, additional provisions are prudent.

Noninterest Income

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

Noninterest income for the three months ended June 30, 2020 as compared to the same period in 2019 increased $1.2 million. The main driver of this increase was the $1,181,000 gain recognized on the sale of available-for- sale securities.

Noninterest Expense

Noninterest expense was $4.6 million for the three months ended June 30, 2020, an increase of $407,000, compared to the three months ended June 30, 2019. Most of the increase in our noninterest expense levels was related to personnel-related expenses on the production-side. We also enhanced our Marketing Function by hiring an executive who truly understands how to help us better build a brand identity. The Company also focused on enhancing our customer experience by developing the Unified Care Center. This care center offers our customers with extended service in the evenings and weekends.

Federal Income Taxes

The provision for federal income taxes was $16,000 for the three months ended June 30, 2020, a decrease of $172,000 compared to the same period in 2019. The effective tax rate is lower in 2020 due to the increase in tax exempt state and political subdivision investments.

COVID-19: Update on Company Action and Ongoing Risks

In December 2019, a novel coronavirus (COVID-19) was reported in China, and, in March 2020, the World Health Organization declared it a pandemic. On March 12, 2020, the President of the United States declared the COVID-19 outbreak in the United States a national emergency. The COVID-19 pandemic has caused significant economic dislocation in the United States as many state and local governments have ordered non-essential businesses to close and residents to shelter in place at home. This has resulted in an unprecedented slow-down in economic activity and a related increase in unemployment.

What follows is a general overview of certain aspects of the government's sweeping response to the COVID-19 pandemic most applicable to the financial services sector, the Company's response to the COVID-19 pandemic, and a brief description of the potential ongoing risks associated with the pandemic, which, given the unprecedented nature thereof, may not be inclusive.

Government Response to the COVID-19 Pandemic

Congress, the Federal Reserve Bank and the other U.S. state and federal financial regulatory agencies have taken actions to mitigate disruptions to economic activity and financial stability resulting from the COVID-19 pandemic. The federal banking agencies have encouraged financial institutions to prudently work with affected borrowers and passed measures to provide relief from reporting loan classifications due to modifications related to the COVID-19 outbreak. The descriptions below summarize additional significant government actions taken in response to the COVID-19 pandemic. The descriptions are qualified in their entirety by reference to the particular statutory or regulatory provisions or government programs summarized.

The CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. Among other provisions, the CARES Act includes funding for the SBA to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorized as troubled debt restructurings and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts. One of the key CARES Act programs is the Paycheck Protection Program, which temporarily expands the SBA's business loan guarantee program through August 8, 2020. Paycheck Protection Program loans are available to a broader range of entities than ordinary SBA loans, and the loan may be forgiven in an amount equal to payroll costs and certain other expenses during either an eight-week or twenty-four week "covered period." The Company did not participate in the Paycheck Protection Program.

The CARES Act contains additional protections for homeowners and renters of properties with federally-backed mortgages, including a 60-day moratorium on the initiation of foreclosure proceedings beginning on March 18, 2020 and a 120-day moratorium on initiating eviction proceedings effective March 27, 2020. Borrowers of federally-backed mortgages have the right under the CARES Act to request up to 360 days of forbearance on their mortgage payments if they experience financial hardship directly or indirectly due to the coronavirus-related public health emergency.

Also pursuant to the CARES Act, the U.S. Treasury has the authority to provide loans, guarantees and other investments in support of eligible businesses, states and municipalities affected by the economic effects of COVID-19. Some of these funds have been used to support several FRB programs and facilities described below or additional programs or facilities that are established by its authority under Section 13(3) of the Federal Reserve Act and meeting certain criteria.

FRB Actions

The FRB has taken a range of actions to support the flow of credit to households and businesses. For example, on March 15, 2020, the FRB reduced the target range for the federal funds rate to 0 to 0.25% and announced that it would increase its holdings of U.S. Treasury securities and agency mortgage-backed securities and begin purchasing agency commercial mortgage-backed securities. The FRB has also encouraged depository institutions to borrow from the discount window and has lowered the primary credit rate for such borrowing by 150 basis points while extending the term of such loans up to 90 days. Reserve requirements have been reduced to zero as of March 26, 2020.

In addition, the FRB has established, or has taken steps to establish, a range of facilities and programs to support the U.S. economy and U.S. marketplace participants in response to economic disruptions associated with COVID-19. Through these facilities and programs, the FRB, relying on its authority under Section 13(3) of the Federal Reserve Act, has taken steps to directly or indirectly purchase assets from, or make loans to, U.S. companies, financial institutions, municipalities and other market participants.

Communities

With the health of our employees and customers being our top concern, as of March 19, 2020, the Bank temporarily suspended branch lobby hours to the public for walk-in transactions. As of June 17th, 2020 our branch lobby hours were returned to normal. From March 19, 2020 to June 17, 2020 appointments were made at branches to complete all needed paperwork and transactions. Drive-thru services remained open as well as all ATM's to complete needed transactions.

Lending Assistance

With regard to COVID-19-related loan deferral processing, we have had requests for payment deferrals on 156 total loans with balances totaling approximately $64.1 million or 14.5% of the loan portfolio on the commercial side plus an additional $2.2 million of consumer and residential loan deferral requests. The requests vary from 90 up to 180 day deferrals and we are hopeful that this will be sufficient to get our customers through this difficult time without additional assistance needed.

Employees

As of April 1, 2020, the Company is following The Families First Coronavirus Response Act (FFCRA) which requires employers to provide their employees with paid sick leave and extended family and medical leave for specified reasons related to COVID-19. These provisions are in effect until December 31, 2020. Qualifying reasons for leave related to COVID-19 include the employee: (1) being subject to a quarantine order, (2) being advised by a healthcare provider to self-quarantine, (3) experiencing COVID-19 systems and is seeking a medical diagnosis, (4) caring for an individual subject to a quarantine order, (5) caring for his or her child who school or place of care is closed or (6) experiencing any other substantially-similar condition specified by the U.S. Department of Health and Human Services. All time off related to the above reasons is being separately documented within our time and attendance system. The Bank will be able to reduce its employer tax for the up to two weeks (80 hours, or a part-time employee's two-week equivalent).

Financial Exposures

Given the timing of the outbreak in the United States of the COVID-19 pandemic, outside of the additional loan loss provision, management does not believe that the Company's six months performance was significantly impacted. The COVID-19 pandemic represents an unprecedented challenge to the global economy in general and the financial services sector in particular. However, there is still significant uncertainty regarding the overall length of the pandemic and the aggregate impact that it will have on global and regional economies, including uncertainties regarding the potential positive effects of governmental actions taken in response to the pandemic. With so much uncertainty, it is impossible for the Company to accurately predict the impact that the pandemic will have on the Company's primary markets and the overall extent to which it will affect the Company's financial condition and results of operations during the remainder of the current fiscal year. The extent of the financial impact is unknown at this point related to the actions taken by the Company to assist its customers experiencing challenges from the pandemic, such as through the Bank's payment deferral program.

Our credit administration is closely monitoring and analyzing the higher risk segments within the loan portfolio, tracking loan payment deferrals, customer liquidity and providing timely reports to senior management and the board of directors. Based on the Company's capital levels, prudent underwriting policies, loan concentration diversification and our geographic footprint, we currently expect to be able to manage the economic risks and uncertainties associated with the pandemic and remain adequately capitalized. However, the Company has and may need to make additional loan loss provisions as warranted by the COVID-19 situation.

Ongoing COVID-19 Risk

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The United States government has taken steps to attempt to mitigate some of the more severe anticipated economic effects of the virus, including the passage of the CARES Act, but there can be no assurance that such steps will be effective or achieve their desired results in a timely fashion. The extent of such impact from the COVID-19 outbreak and related mitigation efforts will depend on future developments, which are highly uncertain, including but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. As the result, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline;
- if high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties beyond forbearance periods
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;

- a decrease in net income could result in a decrease in the rate of our quarterly cash dividend;

- we rely on third party vendors for certain services and the unavailability of a critical service due to the COVID-19 outbreak could have an adverse effect on us; and

- Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs.

Any one or a combination of the factors identified above could negatively impact our business, financial condition and results of operations and prospects. Even after the COVID-19 outbreak has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, adverse impacts on our liquidity and any recession that has occurred or may occur in the future.

Capital Resources

Stockholders' equity totaled $66.0 million at June 30, 2020 compared to $59.9 million at December 31, 2019, a $6.1 million increase. Total stockholders' equity in relation to total assets was 9.40% at June 30, 2020 and 8.70% at December 31, 2019. On May 14, 2019 the Company issued $20,000,000 of junior subordinated debentures in denominations of not less that $250,000. To increase the capital level of Unified Bank, $16 million of the proceeds were paid as a dividend during the second quarter of 2019.

The Company's Articles of Incorporation provides flexibility to create a class of preferred shares with 2,000,000 authorized shares. This enables the Company, at the option of the Board of Directors, to issue series of preferred shares in a manner calculated to take advantage of financing techniques which may provide a lower effective cost of capital to the Company. The ability to issue preferred shares 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.

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 requires a minimum ratio of tier 1 capital to risk-weighted assets of 6 percent and includes a minimum leverage ratio of 4 percent for all banking organizations.

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

	Actual			For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio		Amount	Ratio		Amount	Ratio
				(Dollars in thousands)				
As of June 30, 2020								
Total Capital (to Risk-Weighted Assets)								
Consolidated	$ 90,300	18.1%	$	40,027	8.0%		N/A	N/A
Unified	78,884	15.4		40,888	8.0	$	51,110	10.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	$ 62,285	12.5%	$	22,515	4.5%		N/A	N/A
Unified	74,869	14.7		22,999	4.5	$	33,221	6.5%
Tier I Capital (to Risk-Weighted Assets)								
Consolidated	$ 66,286	13.3%	$	30,020	6.0%		N/A	N/A
Unified	74,869	14.6		30,666	6.0	$	40,888	8.0%
Tier I Capital (to Average Assets)								
Consolidated	$ 66,286	9.5%	$	27,782	4.0%		N/A	N/A
Unified	74,869	10.6		28,367	4.0	$	35,459	5.0%
As of December 31, 2019								
Total Capital (to Risk-Weighted Assets)								
Consolidated	$ 83,653	16.7%	$	40,027	8.0%		N/A	N/A
Unified	68,953	13.8		39,972	8.0	$	49,776	10.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)								
Consolidated	$ 57,422	11.5%	$	22,515	4.5%		N/A	N/A
Unified	66,722	13.4		22,484	4.5	$	32,355	6.5%
Tier I Capital (to Risk-Weighted Assets)								
Consolidated	$ 61,422	12.3%	$	30,020	6.0%		N/A	N/A
Unified	66,722	13.4		29,979	6.0	$	39,821	8.0%
Tier I Capital (to Average Assets)								
Consolidated	$ 61,422	9.5%	$	30,020	4.0%		N/A	N/A
Unified	66,722	10.1		29,979	4.0	$	33,160	5.0%

Liquidity

Management's objective in managing liquidity is maintaining the ability to continue meeting the cash flow needs of the Company's customers, such as borrowings or deposit withdrawals, as well as its own financial commitments. The principal sources of liquidity are net income, loan payments, maturing securities and sales of securities available for sale, federal funds sold and cash and deposits with banks. Along with its liquid assets, the Company has additional sources of liquidity available to ensure that adequate funds are available as needed. These include, but are not limited to the ability to borrow funds under line of credit agreements with correspondent banks, a borrowing agreement with the Federal Home Loan Bank of Cincinnati and the adjustment of interest rates to obtain depositors. Management feels that it has the capital adequacy and profitability to meet the current and projected liquidity needs of its customers.

Inflation

Substantially all of the Company's assets and liabilities relate to banking activities and are monetary in nature. The consolidated financial statements and related financial data are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, with the exception of securities available for sale, certain impaired loans and certain other real estate and loans that may be measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

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

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change from disclosures included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 4. Controls and Procedures

The Company, under the supervision, and with the participation, of its management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the requirements of Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 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 June 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

United Bancorp, Inc.
Part II – Other Information

ITEM 1. Legal Proceedings

None, other than ordinary routine litigation incidental to the Company's business.

ITEM 1A. Risk Factors

There have been no material changes from risk factors as previously disclosed in Part 1 Item 1A of the Company's Form 10-K for the year ended December 31, 2019, filed on March 20, 2020.

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 4/1/2020 to 4/30/2020	—	—	—	—
Month #2 5/1/2020 to 5/31/2020	—	—	—	—
Month #3 6/1/2020 to 6/30/2020	—	—	—	—

The Company adopted the United Bancorp, Inc. Affiliate Banks Directors and Officers Deferred Compensation Plan (the "Plan"), which is an unfunded deferred compensation plan. Amounts deferred pursuant to the Plan remain unrestricted assets of the Company, and the right to participate in the Plan is limited to members of the Board of Directors and Company officers. Under the Plan, directors or other eligible participants may defer fees and up to 50% of their annual incentive award payable to them by the Company, which are used to acquire common shares which are credited to a participant's respective account. Except in the event of certain emergencies, no distributions are to be made from any account as long as the participant continues to be an employee or member of the Board of Directors. Upon termination of service, the aggregate number of shares credited to the participant's account are distributed to him or her along with any cash proceeds credited to the account which have not yet been invested in the Company's stock. All purchases under this deferred compensation plan are funded with either earned director fees or officer incentive award payments. No underwriting fees, discounts, or commissions are paid in connection with the Plan. The shares allocated to participant accounts have not been registered under the Securities Act of 1933 in reliance upon the exemption provided by Section 4(2) thereof.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

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 4.1	Instruments Defining the Rights of Security Holders (See Exhibits 3.1 and 3.2)
EX 4.2	Description of Registrant's Common Stock[(3)]
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 November 18, 2016.

(3) Incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 20, 2020

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.

	United Bancorp, Inc.
Date: August 13, 2020	By: /s/Scott A. Everson Scott A. Everson President and Chief Executive Officer
Date: August 13, 2020	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: August 13, 2020

/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: August 13, 2020

/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 June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Everson, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 13, 2020

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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 June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall M. Greenwood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

August 13, 2020

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