UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 000-29283

UNITED BANCSHARES, INC.

(exact name of registrant as specified in its charter)

Ohio	**34-1516518**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

105 Progressive Drive, Columbus Grove, Ohio 45830
(Address of principal executive offices)

Registrant's telephone number, including area code: **(419) 659-2141**

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

Title of each class	**Trading Symbol(s**	**Name of Each Exchange**
Common Stock, No Par Value	UBOH	OTCQX Market

(Title of class)
Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was $77,916,547, based upon the last sales price as quoted on the NASDAQ Global Market as of June 30, 2022.
The number of shares of Common Stock, no par value outstanding as of February 28, 2023: 3,136,180

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2022 are incorporated by reference into Part II. Portions of the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held on April 26, 2023are incorporated by reference into Part III.

Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. From time to time, we have made or will make forward-looking statements within the meaning of the Act. These statements do not relate strictly to historical or current facts. Certain information, particularly information regarding future economic performance and finances and plans and objectives of management, contained or incorporated by reference in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, is forward-looking. Forward-looking statements usually can be identified by the use of words such as "goal," "objective," "outlook," "plan," "strategy," "expect," "anticipate," "project," "believe," "estimate," or other words of similar meaning, or by words or phrases indicating that an event or trend "may," "should," "will," "is likely," or that an event or trend is "probable" to occur or "continue," has "begun," "is scheduled," or is "on track." Forward-looking statements provide our current expectations or forecasts of future events, circumstances, results or aspirations. Our disclosures in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in our other documents filed with or furnished to the Securities and Exchange Commission (the "SEC").

Forward-looking statements are not historical facts and, by their nature, are subject to assumptions, risks, and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ from those described in forward-looking statements, include, but are not limited to:

- deterioration of commercial real estate market fundamentals;
- defaults by our loan counterparties or trends;
- adverse changes in credit quality trends;
- declining asset prices;
- our ability to accurately estimate collateral values, future levels of nonperforming loans, and other borrower fundamentals as part of our credit review process;
- changes in local, regional and international business, economic or political conditions affecting the regions in which we operate;
- the extensive and increasing regulation of the U.S. financial services industry;
- changes in accounting policies, rules and interpretations;
- increasing capital and liquidity standards under applicable regulatory rules;
- unanticipated changes in our liquidity position, including but not limited to, changes in the cost of liquidity, our ability to enter the financial markets and to secure alternative funding sources;
- our ability to receive dividends from our subsidiary, The Union Bank Company;
- breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;
- operational or risk management failures by us or critical third-parties;
- adverse judicial proceedings;
- the occurrence of natural or man-made disasters or conflicts or terrorist attacks;
- a reversal of the U.S. economic recovery due to financial, political or other shocks;
- our ability to anticipate interest rate changes and manage interest rate risk;
- deterioration of economic conditions in the geographic regions where we operate;
- the soundness of other financial institutions;
- our ability to attract and retain talented executives and employees and to manage our reputational risks;
- our ability to timely and effectively implement our strategic initiatives; and
- increased competitive pressure due to industry consolidation.

Any forward-looking statements made by us or on our behalf speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances. Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in our SEC filings, including this report on Form 10-K and our subsequent reports on Form 10-Q and 8-K and any other filings made with the SEC, all of which are or will upon filing be accessible on the SEC's website at www.sec.gov and on our website at www.theubank.com.

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PART I

Item 1. Business

Overview

United Bancshares, Inc. ("UBOH"), an Ohio corporation, organized in 1985, is headquartered in Columbus Grove, Ohio. We are a financial holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), with consolidated total assets of $1.1 billion at December 31, 2022. UBOH is regulated as a one-bank holding company by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), and its principal asset and operating subsidiary is The Union Bank Company, an Ohio state chartered commercial bank ("Union Bank"). United Bancshares' primary objective is to be a high-performing, relationship-focused financial institution by concentrating its efforts on serving the financial needs of consumers and small businesses in the communities that it serves. As of December 31, 2022, UBOH and its subsidiary (collectively the "Corporation") employed approximately 211 full-time equivalent employees.

United Bancshares, Inc.'s common stock has traded on theOTCQX Market under the symbol "UBOH" since August 2022.

The Company's core business operations are conducted through its subsidiaries:

Union Bank

Union Bank is an Ohio state-chartered bank supervised by the State of Ohio, Division of Financial Institutions (the "ODFI"), and the Federal Deposit Insurance Corporation (the "FDIC"). Union Bank is a full service community bank offering a full range of commercial and consumer banking services.

Deposit services include checking accounts, savings and money market accounts; certificates of deposit and individual retirement accounts. Additional supportive services include online banking, bill pay, mobile banking, Zelle payment service, ATM's and safe deposit box rentals. Treasury management and remote deposit capture products are also available to commercial deposit customers. Deposits of Union Bank are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the FDIC.

Loan products offered include commercial and residential real estate loans, agricultural loans, commercial and industrial loans, home equity loans, various types of consumer loans and small business administration loans. Union Bank's residential loan activities consist primarily of loans for purchasing or refinancing personal residences. The majority of these loans are sold to the secondary market.

Wealth management services are offered by Union Bank through an arrangement with LPL Financial LLC, a registered broker/dealer. Licensed representatives offer a full range of investment services and products, including financial needs analysis, mutual funds, securities trading, annuities and life insurance.

Union Bank's philosophy is to grow by building long-term relationships based on high quality service, high ethical standards, and safe and sound assets. In the operation of its business, Union Bank maintains a strong community orientation. Union Bank's business model emphasizes personalized service, clients' access to key decision makers, individualized attention, tailored products, and access to online banking tools. Union Bank's management has placed a special emphasis on personalized attention to its customers' needs and accomplishes this by continually working to build and support relationships with customers, local businesses and entrepreneurs. Union Bank empowers employees with the tools, knowledge, and support to serve our customers' needs.

Through our twenty-two offices located in Bowling Green, Columbus Grove, Delaware, Delphos, Findlay, Gahanna, Gibsonburg, Kalida, Leipsic, Lima, Marion, Marysville, Ottawa, Paulding, Pemberville, Plymouth, and Westerville Ohio, we serve the Ohio counties of Allen, Delaware, Franklin, Hancock, Huron, Marion, Paulding, Putnam, Sandusky, Van Wert, and Wood.

Union Bank has two subsidiaries: UBC Investments, Inc. ("UBC"), an entity formed to hold its securities portfolio, and UBC Property, Inc. ("UBC Property"), an entity formed to hold and manage certain property that is acquired in lieu of foreclosure.

UBC Risk Management

UBC Risk Management, Inc. is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Corporation and its subsidiaries.

Additional information

Our executive offices are located at 105 Progressive Drive, Columbus Grove, OH 45830 and our telephone number is (419) 659-2141. Our website is www.theubank.com.

We make available free of charge, on or through the Investor Relations link on our website (www.theubank.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website and available in print upon request are the charters for our Audit Committee, Compensation, and Nominating Committees and our Senior Officer Code of Ethics. Within the time period required by the SEC and the OTCQX Market, we will post on our website any amendment to the Senior Officer Code of Ethics or the above-referenced governance documents, or you may request the documents by writing to our Chief Financial Officer at The Union Bank Co., 105 Progressive Drive, Columbus Grove, OH 45830 or by calling (419) 659-2141.

The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information that the Corporation electronically files with the SEC.

Competition

The Corporation competes for deposits with other commercial banks, savings associations and credit unions and issuers of commercial paper and other securities, such as shares in money market mutual funds. Primary factors in competing for deposits include customer service, interest rates, and convenience. In making loans, the Corporation competes with other commercial banks, savings associations, consumer finance companies, credit unions, leasing companies, mortgage companies, and other lenders. Competition is affected by, among other things, the general availability of lendable funds, general and local economic conditions, current interest rate levels, and other factors that are not readily predictable. The financial services industry is likely to become more competitive as further technology advances enable more companies to provide financial services and liquidity in the marketplace comes at a higher premium. We compete by offering quality products and innovative services at competitive prices, and by maintaining our products and services offerings to keep pace with customer preferences in the regions that we operate.

In recent years, mergers and acquisitions have led to greater concentration in the banking industry, placing added competitive pressure on our core banking products and services. Consolidation continued during 2022, primarily through private merger and acquisition transactions, and led to redistribution of deposits and certain banking assets to other financial institutions. We expect this trend to continue during 2023. We, therefore, expect competition in the markets we serve to intensify with the advent of new technology and consolidation trends. As a matter of course, we continue to evaluate opportunities in the markets we serve or contiguous markets to improve our footprint, while balancing the efficiency of technology.

The Bank's primary market area consists of the Ohio counties of a Allen, Delaware, Franklin, Hancock, Marion, Paulding, Putnam, Sandusky, and Wood, in which the Bank currently operates 18 total full-service banking offices.

Supervision and Regulation

General

The following discussion addresses the material elements of the regulatory framework applicable to financial holding companies, like UBOH, and our subsidiary bank, Union Bank. This regulatory framework is intended primarily to protect customers and depositors, the Deposit Insurance Fund (the "DIF") of the FDIC, and the banking system as a whole, rather than for the protection of security holders and creditors. We cannot predict changes in the applicable laws, regulations, and regulatory agency policies, yet such changes may have a material effect on our business, financial condition, and/or results of operations.

UBOH

On October 10, 2018, UBOH elected to become a financial holding company within the meaning of the Bank Holding Company Act of 1956 as amended, in order to provide the flexibility to take advantage of the expanded powers available to a financial holding company under the Act. As a financial holding company, UBOH is subject to inspection, examination, and supervision by the Board of Governors of the Federal Reserve System pursuant to the Bank Holding Company Act of 1956, as amended. As a financial holding company, UBOH is still subject to all material regulations applicable to bank holding companies.

Under the Gramm-Leach-Bliley Act (the "GLB Act"), enacted into law in 1999, a bank holding company that has elected to become a financial holding company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Activities that are "financial in nature" include securities underwriting, dealing and market-making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking, and activities that the Federal Reserve Board has determined to be closely related to banking. Federal Reserve Board approval is not required for UBOH to acquire a company, other than a bank holding company, bank, or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. Prior Federal Reserve Board approval is required before UBOH may acquire the beneficial ownership or control of more than 5% of the voting shares, or substantially all of the assets, of a bank holding company, bank or savings association. If any subsidiary bank of UBOH ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve Board may, among other actions, order UBOH to divest the subsidiary bank. Alternatively, UBOH may elect to conform its activities to those permissible for a bank holding company that is not also a financial holding company. If any subsidiary bank of UBOH receives a rating under the Community Reinvestment Act of 1977 of less than "satisfactory," UBOH will be prohibited from engaging in new activities or acquiring companies other than bank holding companies, banks, or savings associations.

Under federal law, bank and financial holding companies must also serve as a "source of financial strength" to their subsidiary depository institutions by providing financial assistance to them in the event of their financial distress. This support may be required when we do not have the resources to, or would prefer not to, provide it. In addition, certain loans by a bank or financial holding company to a subsidiary bank are subordinate in right of payment to deposits in, and certain other indebtedness of, the subsidiary bank, and federal law provides that in the bankruptcy of a bank or financial holding company, any commitment to a federal bank regulatory agency to maintain the capital of subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

The Board of Governors of the Federal Reserve has issued Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases by Bank Holding Companies (the "Policy Statement"). In the Policy Statement, the Federal Reserve stated that it is important for a banking organization's board of directors to ensure that the dividend level is prudent relative to the organization's financial position and is not based on overly optimistic earnings scenarios. As a general matter, the Policy Statement provides that the board of directors of a bank holding company should inform the Federal Reserve and should eliminate, defer, or significantly reduce its dividends if:

(1) net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
(2) the prospective rate of earnings retention is not consistent with the company's capital needs and overall current and prospective financial condition; or
(3) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Failure to do so could result in a supervisory finding that the organization is operating in an unsafe and unsound manner. Moreover, the Policy Statement requires a bank holding company to inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period (e.g., quarter) for which the dividend is being paid or that could result in a material adverse change to the organization's capital structure. Declaring or paying a dividend in either circumstance could raise supervisory concerns.

Union Bank

As an Ohio state-chartered bank, and a member of the Depositor Insurance Fund, administered by the FDIC, Union Bank is supervised and regulated by the ODFI and the FDIC. As insurer, the FDIC imposes deposit insurance premiums, conducts examinations of, and requires reporting by FDIC-insured institutions under the Federal Deposit Insurance Act, as amended (the "FDIA").

Various requirements and restrictions under the laws of the United States and the State of Ohio affect the operations of Union Bank, including restrictions on the nature and amount of loans which may be made and the interest that may be charged thereon, restrictions relating to investments and other activities, limitations on credit exposure to correspondent banks, limitations on activities based on capital and surplus, limitations on payment of dividends, and limitations on branching.

As a member of the Federal Home Loan Bank, Union Bank is required to, among other things, maintain an investment in capital stock of the FHLB. Union Bank receives dividends on its investment in FHLB stock. Under certain conditions, secured advances to Union Bank are available from the FHLB to meet operational requirements. Such advances are renewable and can be obtained up to specified dollar amounts. These advances are secured primarily by Union Bank's eligible mortgage loans and FHLB stock.

Current regulatory capital requirements

Federal banking regulators have promulgated risk-based capital and leverage ratio requirements applicable to Union Bank. The adequacy of regulatory capital is assessed periodically by federal banking agencies in their examination and supervision processes, and in the evaluation of applications in connection with certain expansion activities.

FDIC-supervised institutions must maintain the following minimum capital ratios:
• Common equity tier 1 capital to total risk-weighted assets ratio of 4.5 percent,
• Tier 1 capital to total risk-weighted assets ratio of 6 percent,
• Total capital to total risk-weighted assets ratio of 8 percent, and
• Tier 1 capital to average total assets ratio (tier 1 leverage ratio) of 4 percent.

FDIC regulations provide that any insured institution which has less than its minimum leverage capital requirement may be deemed to be engaged in an unsafe and unsound practice pursuant to Section 8 of the FDIA, unless the institution has entered into and is in compliance with a written agreement or has submitted and is in compliance with a plan approved by the FDIC to increase its leverage capital ratio and take other action as may be necessary. FDIC regulations further indicate that any insured depository institution with a tier 1 capital to total assets ratio of less than 2 percent may be deemed to be operating in an unsafe and unsound condition.

Notwithstanding the minimum capital requirements, an FDIC-supervised institution must maintain capital commensurate with the level and nature of all risks to which the institution is exposed. Furthermore, an FDIC supervised institution must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive strategy for maintaining an appropriate level of capital. The FDIC is not precluded from taking formal enforcement actions against an insured depository institution with capital above the minimum requirement if the specific circumstances indicate such action appropriate.

Additionally, FDIC-supervised institutions that fail to maintain capital at or above minimum leverage capital requirements may be issued a capital directive by the FDIC. Capital directives generally require an institution to restore its capital to the minimum leverage requirement within a specified time period.

The Corporation currently satisfies all capital requirements. The junior subordinated deferrable interest debentures issued in 2003 and the trust preferred securities from the acquisition of The Ohio State Bank (“OSB”), as described in Note 9 of the consolidated financial statements contained in the Corporation’s Annual Report, currently qualify as Tier 1 capital for regulatory purposes. However, it is possible that regulations could change so that such securities do not qualify.

The federal banking regulators have established regulations governing prompt corrective action to resolve capital deficient banks. Under these regulations, institutions, which become undercapitalized, become subject to mandatory regulatory scrutiny and limitations that increase as capital decreases. Such institutions are also required to file capital plans with their primary federal regulator, and their holding companies must guarantee the capital shortfall up to 5% of the assets of the capital deficient institution at the time it becomes undercapitalized.

The FDIA requires the relevant federal banking regulator to take “prompt corrective action” with respect to an FDIC-insured depository institution that does not meet certain capital adequacy standards. Banks and savings associations are classified into one (1) of five (5) categories based upon capital adequacy, ranging from “well-capitalized” to “critically undercapitalized.” Restrictions on operations, management, and capital distributions begin to apply at “adequately capitalized” status and become progressively stricter as the insured depository institutions approaches “critically undercapitalized” status. Generally, the regulations require the appropriate federal banking agency to take prompt corrective action with respect to an institution which becomes “undercapitalized” and to take additional actions if the institution becomes “significantly undercapitalized” or “critically undercapitalized.” Effective January 1, 2015, final rules promulgated by the FDIC pursuant to the Dodd-Frank Act, provide that for a depository institution to be considered well-capitalized it must maintain common equity tier 1 capital of at least 6.5%; tier 1 risk-based capital of at least 8%; total risk-based capital of at least 10%; and a tier 1 leverage ratio of at least 5%. As of December 31, 2022, Union Bank has total risk-based capital of 16.7%, tier 1 risk-based capital and CET 1 capital of 15.5%, and tier 1 leverage capital of 10.1%.

While the Prompt Corrective Action requirements only apply to FDIC-insured depository institutions and not to bank or financial holding companies, the mandatory Prompt Corrective Action “capital restoration plan” required of an undercapitalized institution by its relevant regulator must be guaranteed to a limited extent by the institution’s parent bank or financial holding company.

The ability of a bank or financial holding company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by its subsidiary bank and other subsidiaries. However, the Federal Reserve Board expects the Corporation to serve as a source of strength to its subsidiary bank, which may require it to retain capital for further investment in the subsidiary, rather than for dividends for shareholders of UBOH. The Bank may not pay dividends to UBOH if, after paying such dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. The Bank must have the approval of its regulatory authorities if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year's net income and the retained net income for the preceding two years, less required transfers to surplus. Payment of dividends by a bank subsidiary may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to constitute an unsafe and/or unsound banking practice. These provisions could have the effect of limiting UBOH's ability to pay dividends on its outstanding common shares. For more information about the payment of dividends by Union Bank to UBOH, please see Note 14 of the consolidated financial statements contained in the Corporation's Annual Report.

Federal Deposit Insurance Act

The FDIC's DIF provides insurance coverage for certain deposits, which insurance is funded through assessments on banks, like Union Bank. Pursuant to the Dodd-Frank Act, the amount of deposit insurance coverage for deposits increased to $250,000 per depositor. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection act (the "Dodd-Frank Act"), the FDIC has established 2.0% as the designated reserve ratio (the "DRR"), that is, the ratio of the DIF to insured deposits. The Dodd-Frank Act directs the FDIC to amend its assessment regulations so that future assessments will generally be based upon a depository institution's average total consolidated assets minus the average tangible equity of the insured depository institution during the assessment period, whereas assessments were previously based on the amount of an institution's insured deposits. The minimum DIF rate increased from 1.15% to 1.35%, and the cost of the increase was borne by depository institutions with assets of $10 billion or more. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rule making if required.

Conservatorship and receivership of insured depository institutions

Upon the insolvency of an insured depository institution, the FDIC will be appointed as receiver or, in rare circumstances, conservator for the insolvent institution under the FDIA. In an insolvency, the FDIC may repudiate or disaffirm any contract to which the institution is a party if the FDIC determines that performance of the contract would be burdensome and that disaffirming or repudiating the contract would promote orderly administration of the institution's affairs. If the contractual counterparty made a claim against the receivership (or conservatorship) for breach of contract, the amount paid to the counterparty would depend upon, among other factors, the receivership assets available to pay the claim and the priority of the claim relative to others. In addition, the FDIC may enforce most contracts entered into by the insolvent institution, notwithstanding any provision that would terminate, cause a default, accelerate or give other rights under the contract solely because of the insolvency, the appointment of the receiver (or conservator), or the exercise of rights or powers by the receiver (or conservator). The FDIC may also transfer any asset or liability of the insolvent institution without obtaining approval or consent from the institution's shareholders or creditors. These provisions would apply to obligations and liabilities of UBOH's insured depository institution subsidiary, including any obligations under senior or subordinated debt issued to public investors.

Depositor preference

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of its depositors (including claims of its depositors that have subrogated to the FDIC) and certain claims for administrative expenses of the FDIC as receiver have priority over other general unsecured claims. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will be placed ahead of unsecured, non-deposit creditors, including the institution's parent bank, holding company, and subordinated creditors, in order of priority of payment.

The Dodd-Frank Act

The Dodd-Frank Act, enacted in 2010, is complex and several of its provisions are still being implemented. The Dodd-Frank Act established the Consumer Financial Protection Bureau, which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act altered the authority and duties of the federal banking and securities regulatory agencies, implemented certain corporate governance requirements for all public companies including financial institutions with regard to executive compensation, proxy access by shareholders, and certain whistleblower provisions, and restricted certain proprietary trading and hedge fund and private equity activities of banks and their affiliates.

Federal regulators continue to implement provisions of the Dodd-Frank Act. The Dodd-Frank Act created many new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. Currently, federal regulators are still in the process of drafting the implementing regulations for some portions of the Dodd-Frank Act. The Corporation is closely monitoring all relevant sections of the Dodd-Frank Act to ensure continued compliance with these regulatory requirements. The following discussion summarizes significant aspects of the Dodd-Frank Act that are already affecting or may affect UBOH and Union Bank:

- the Consumer Financial Protection Bureau has been empowered to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws;
- the deposit insurance assessment base for federal deposit insurance has been expanded from domestic deposits to average assets minus average tangible equity;
- the prohibition on the payment of interest on commercial demand deposits has been repealed;
- the standard maximum amount of deposit insurance per customer has been permanently increased to $250,000;
- new corporate governance requirements require new compensation practices, including, but not limited to, providing shareholders the opportunity to cast a non-binding vote on executive compensation, requiring compensation committees to consider the independence of compensation advisors and meeting new executive compensation disclosure requirements;
- the Federal Reserve Board has established rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion. Although the cap is not applicable to Union Bank, it may have an adverse effect on Union Bank as the debit cards issued by Union Bank and other smaller banks, which have higher interchange fees, may become less competitive;
- "ability to repay" regulations generally require creditors to make a reasonable, good faith determination (considering at least 8 specified underwriting factors) of a consumer's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage or temporary loan) and provides a presumption that the creditor making a "qualified mortgage" satisfied the ability-to-repay requirements; and
- the authority of the Federal Reserve Board to examine financial holding companies and their non-bank subsidiaries was expanded.

Some aspects of the Dodd-Frank Act are still subject to rulemaking and will take effect in the coming years, making it difficult to anticipate the full financial impact on the Corporation, their respective customers or the financial services industry more generally. However, the implementation of certain provisions have already increased compliance costs and the implementation of future provisions will most likely further increase both compliance costs and fees paid to regulators, along with possibly restricting the operations of the Corporation.

The Bank Secrecy Act (BSA)

The BSA requires all financial institutions (including banks and securities broker-dealers) to, among other things, maintain a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. It includes a variety of recordkeeping and reporting requirements (such as cash and suspicious activity reporting) as well as due diligence and know-your-customer documentation requirements. Union Bank has established and maintains an anti-money laundering program to comply with the BSA's requirements.

Privacy Provisions of Gramm-Leach-Bliley Act

Under GLB, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to non-affiliated third parties. The privacy provisions of GLB affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Bank transactions with affiliates

Federal banking law and regulation imposes qualitative standards and quantitative limitations upon certain transactions by a bank with its affiliates, including the bank's parent holding company and certain companies the parent holding company may be deemed to control for these purposes. Transactions covered by these provisions must be on arm's-length terms and cannot exceed certain amounts which are determined with reference to the bank's regulatory capital. Moreover, if the transaction is a loan or other extension of credit, it must be secured by collateral in an amount and quality expressly prescribed by statute, and if the affiliate is unable to pledge sufficient collateral, the holding company may be required to provide it.

Branching Authority

Ohio chartered banks have the authority under Ohio law to establish branches anywhere in the State of Ohio, subject to receipt of all required regulatory approvals. Additionally, in May 1997 Ohio adopted legislation "opting in" to the provisions of Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act") which allows banks to establish interstate branch networks through acquisitions of other banks, subject to certain conditions, including certain limitations on the aggregate amount of deposits that may be held by the surviving bank and all of its insured depository institution affiliates. Effective with the enactment of The Dodd-Frank Act, the FDIA and the National Bank Act have been amended to remove the expressly required "opt-in" concept applicable to de novo interstate branching and now permits national and insured state banks to engage in de novo interstate branching if, under the laws of the state where the new branch is to be established, a state bank chartered in that state would be permitted to establish a branch.

Safety and Soundness Standards

The Federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality, and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits, or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Environmental Laws

Banks that hold mortgages on property as secured lenders are exempt from liability under Federal environmental protection laws if certain criteria are met. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) contains a secured creditor exemption that eliminates owner or operator liability for lenders who take an ownership interest in a property primarily to protect their interest in the facility as security on a loan, provided that the bank does not participate in the management of the facility. Generally, participation in management applies if a bank exercises decision-making control over a property's environmental compliance, or exercises control at a level similar to a manager of the facility or property.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's loan operations are also subject to federal laws applicable to credit transactions, such as:

- the Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- the rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.

The deposit operations of the Bank are subject to:

- the Truth-In-Savings Act, governing disclosures of account terms to consumer depositors;
- the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- the "Electronic Funds Transfer Act" and Regulation E issued by the Federal Reserve to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Statistical Financial Information Regarding the Corporation

The following schedules and tables analyze certain elements of the consolidated balance sheets and statements of income of the Corporation and its subsidiary and should be read in conjunction with the narrative analysis presented in ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION and the Consolidated Financial Statements of the Corporation, both of which are included in the 2022 Annual Report.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIA

The following are the average balance sheets for the years ended December 31:

	2022	2021	2020
ASSETS		(in thousands)	
Interest-earning assets			
Securities (1)			
Taxable	$ 158,151	$ 117,830	$ 102,448
Non-taxable	137,577	119,865	83,399
Interest-bearing deposits	46,508	98,889	42,906
Loans (2)	637,326	632,829	663,097
Total interest-earning assets	979,562	969,413	891,850
Non-interest-earning assets			
Cash and due from banks	13,343	10,408	7,607
Premises and equipment, net	23,461	19,771	18,590
Accrued interest receivable and other assets	66,021	57,027	56,018
Allowance for loan losses	(10,385)	(10,269)	(6,237)
	$ 1,072,002	$ 1,046,350	$ 967,828
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Deposits			
Savings and interest-bearing demand deposits	$ 629,695	$ 555,004	$ 452,878
Time deposits	114,824	156,161	171,881
Junior subordinated deferrable interest debentures	12,994	12,960	12,926
Other borrowings	6,882	7,305	50,533
Total interest-bearing liabilities	764,395	731,430	688,218
Non-interest-bearing liabilities			
Demand deposits	208,102	193,810	168,179
Accrued interest payable and other liabilities	7,034	6,129	9,800
Shareholders' equity (3)	92,471	114,981	101,631
	$ 1,072,002	$ 1,046,350	$ 967,828

(1) Securities include securities available-for-sale, which are carried at fair value, and restricted bank stock carried at cost. The average balance includes monthly average balances of fair value adjustments and daily average balances for the amortized cost of securities.
(2) Loan balances include principal balances of non-accrual loans and loans held for sale.
(3) Shareholders' equity includes average net unrealized appreciation (depreciation) on securities available-for-sale, net of tax.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

The following tables set forth, for the years indicated, the condensed average balances of interest-earning assets and interest-bearing liabilities, the interest earned or paid on such amounts, and the average interest rates earned or paid thereon.

	Year Ended December 31,								
	2022			2021			2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest (In Thousands)	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Interest-earning assets									
Securities (1)									
Taxable	$158,151	$ 3,137	1.98%	$117,830	$ 1,977	1.68%	$102,448	$ 1,938	1.89%
Non-taxable (2)	137,577	4,697	3.41%	119,865	3,615	3.02%	83,399	2,705	3.24%
Loans (3, 4)	637,326	31,214	4.90%	632,829	33,745	5.33%	663,097	35,696	5.38%
Interest-bearing deposits	46,508	894	1.92%	98,889	251	0.25%	42,906	259	0.60%
Total interest-earning assets	$979,562	$ 39,942	4.08%	$969,413	$ 39,588	4.08%	$891,850	$ 40,598	4.55%
INTEREST-BEARING LIABILITIES									
Deposits									
Savings and interest-bearing demand deposits	$629,695	$ 1,692	0.27%	$555,004	$ 904	0.16%	$452,878	$ 1,321	0.29%
Time deposits	114,824	630	0.55%	156,161	1,377	0.88%	171,881	2,677	1.56%
Junior subordinated deferrable interest debentures	12,994	649	4.99%	12,960	429	3.31%	12,926	526	4.07%
Other borrowings	6,882	287	4.17%	7,305	359	4.91%	50,533	2,464	4.88%
Total interest-bearing liabilities	$764,395	$ 3,258	0.43%	$731,430	$ 3,069	0.42%	$688,218	$ 6,988	1.02%
Net interest income, interest rate spread, tax equivalent basis		$ 36,684	3.65%		$ 36,519	3.66%		$ 33,610	3.53%
Net interest margin			3.74%			3.77%			3.77%

(1) Securities include securities available-for-sale, which are carried at fair value, and restricted bank stock carried at cost. The average balance includes monthly average balances of fair value adjustments and daily average balances for the amortized cost of securities.

(2) Computed on tax equivalent basis for non-taxable securities and non-taxable loans (21% statutory rate).

(3) Loan balances include principal balance of non-accrual loans and loans held for sale.

(4) Interest income on loans includes fees of $3,111,000 in 2022, $8,368,000 in 2021 and $7,309,000 in 2020.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

The following tables set forth the effect of volume and rate changes on interest income and expenses for the periods indicated. For purposes of these tables, changes in interest due to volume and rate were determined as follows:

Volume variance - change in volume multiplied by the previous year's rate.

Rate variance - change in rate multiplied by the previous year's volume.

Total variance - change in volume multiplied by the change in rate.

- This variance was allocated to volume variances and rate variances in proportion to the relationship of the absolute dollar amount of the change in each.

Interest on non-taxable securities has been adjusted to a fully tax equivalent basis using a statutory tax rate of 21% for 2021, 2020 and 2019 in the table that follows:

	Year Ended December 31,					
	2022 vs. 2021			2021 vs. 2020		
	Total Variance	Variance Attributable To Volume	Variance Attributable To Rate	Total Variance	Variance Attributable To Volume	Variance Attributable To Rate
INTEREST INCOME	(In Thousands)					
Securities -						
Taxable	$ 1,160	$ 757	$ 403	$ 40	$ 272	$ (232)
Non-taxable	1,082	571	511	909	1,111	(202)
Loans	(2,531)	238	(2,769)	(1,976)	(1,616)	(360)
Other	643	(198)	841	(8)	203	(211)
Subtotal	354	1,368	(1,014)	(1,035)	(30)	(1,005)
INTEREST EXPENSE						
Deposits -						
Savings and interest-bearing demand deposits	788	135	653	(417)	253	(670)
Time deposits	(747)	(308)	(439)	(1,300)	(226)	(1,074)
Junior subordinated deferrable interest debentures	220	1	219	(97)	1	(98)
Other borrowings	(72)	(20)	(52)	(2,105)	(2,123)	18
Subtotal	189	(192)	381	(3,919)	(2,095)	(1,824)
NET INTEREST INCOME	$ 165	$ 1,560	$ (1,395)	$ 2,884	$ 2,065	$ 819

INVESTMENT PORTFOLIO

Union Bank's investment securities portfolio is managed in accordance with a written policy adopted by the Board of Directors and administered by the Investment Committee.

Union Bank's securities portfolio is entirely categorized as available-for-sale. Securities classified as available-for-sale may be sold prior to maturity due to changes in interest rates, prepayment risks or to meet the company's liquidity needs. However, selling such securities at a loss may result in adverse consequences related to Other Than Temporary Impairment assessment. Given the interest rate environment, this imposes some limitations on selling AFS assets for liquidity needs of the Bank.

LOAN PORTFOLIO

Maturities and Sensitivities of Loans to Changes in Interest Rates – The following table shows the amounts of loans outstanding as of December 31, 2022 which, based on remaining scheduled repayments of principal, are due in the periods indicated. Also, the amounts have been classified according to sensitivity to changes in interest rates for amounts due after one year. (Variable-rate loans are those loans with floating or adjustable interest rates.)

	Within one year	After one year but within five years	After five years but within 15 years	After 15 years
Residential 1-4 family real estate	$ 3,549	$ 11,682	$ 85,443	$ 28,709
Commercial and multi-family real estate	15,729	56,884	315,034	83,121
Commercial	35,920	20,402	20,001	1,607
Consumer	184	4,206	1,032	72
	$ 55,382	$ 93,174	$ 421,510	$ 113,509

	Fixed Rate	Variable Rate	Total
Residential 1-4 family real estate	$ 53,214	$ 72,620	$ 125,834
Commercial and multi-family real estate	97,902	357,137	455,039
Commercial	27,669	14,341	42,010
Consumer	4,994	316	5,310
	$ 183,779	$ 444,414	$ 628,193

SUMMARY OF LOAN LOSS EXPERIENCE

The following schedule presents the ratio of net charge-offs (recoveries) to average loans outstanding by loan category and related ratios for the years ended December 31:

	2022	2021	2020	2019	2018
Residential 1-4 family real estate	-0.03%	-0.03%	0.20%	0.00%	-0.02%
Commercial and multi-family real estate	0.00%	-0.01%	0.03%	-0.04%	-0.05%
Commercial	0.00%	0.00%	-0.01%	0.08%	-0.04%
Consumer	-0.04%	0.13%	0.46%	0.11%	0.13%
Net charge-offs to average loans outstanding	-0.01%	-0.01%	0.05%	-0.01%	-0.04%
Allowance for credit losses to total loans outstanding	1.38%	1.70%	1.58%	0.72%	0.63%
Nonaccrual loans to total loans outstanding	0.14%	0.05%	0.15%	0.17%	0.26%
Allowance for credit losses to nonaccrual loans	963.22%	3,235.94%	1,052%	428.97%	244.08%

The amount of loan charge-offs and recoveries fluctuate from year to year due to various factors relating to the condition of the general economy and specific business segments. The 2022 net recoveries related to 2 consumer and residential real estate credits with the largest individual charge off being $700. The 2021 net recoveries related to 10 consumer and commercial real estate credits with the largest individual charge-off being $3,100. The 2020 loan charge-offs related to 37 consumer, residential real estate, or commercial credits with the largest individual charge-off being $84,500. The 2019 net recoveries related to charge-offs of 23 consumer, residential real estate, HELOC, or commercial credits with the largest individual charge-off being $80,000. The 2018 net recoveries related to charge-offs of 28 consumer, residential real estate, HELOC, or commercial credits, with the largest individual charge-off being $85,000.

The Corporation recognized a (credit) provision for loan losses of ($1,000,000) in 2022, $300,000 in 2021, and $6,200,000 in 2020. The negative provision for loan losses in 2022 is a result of the continued waning impact of COVID related concerns. Problem and potential problem loans aggregated $8.1 million at December 31, 2022 compared to $24.7 million at December 31, 2021. The Corporation will continue to monitor the credit quality of its loan portfolio, and especially the quality of those credits identified as problem or potential problem credits, to ensure the allowance for loan losses is maintained at an appropriate level.

The allowance for loan losses balance and the provision for loan losses are judgmentally determined by management based upon periodic reviews of the loan portfolio. In addition, management considered the level of charge-offs on loans as well as the fluctuations of charge-offs and recoveries on loans including the factors which caused these changes. Estimating the risk of loans and the amount of loss is necessarily subjective. Accordingly, the allowance is maintained by management at a level considered adequate to cover losses that are currently anticipated based on past loss experience, general economic conditions, information about specific borrower situations including their financial position and collateral value, and other factors and estimates which are subject to change over time. Beginning January 1, 2023, the Company will be required to adopt Accounting Standards Update (ASU) 2016-13,*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. See "*Note 1 - New Accounting Pronouncements*" in the Notes to Consolidated Financial Statements for further information on the potential impact of adopting ASU 2016-13.

The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios.

	December 31,									
	2022		2021		2020		2019		2018	
	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans
					(dollars in thousands)					
Residential Real Estate	$ 1,623	19.40%	$ 1,719	19.61%	$ 1,683	19.85%	$ 592	23.36%	$ 576	22.40%
Commercial and Multi Family Real Estate	6,566	68.47%	7,121	65.45%	6,664	57.44%	2,536	62.13%	2,355	62.26%
Commercial	1,134	11.33%	1,414	14.03%	1,515	21.65%	939	13.12%	534	14.16%
Consumer loans	78	0.80%	101	0.90%	132	1.06%	64	1.39%	62	1.18%
	$ 9,401	100.0%	$ 10,355	100.0%	$ 9,994	100.0%	$ 4,131	100.0%	$ 3,527	100.0%

The allowance for loan losses included no specific reserves for impaired loans at December 31, 2022 and December 31, 2021.

While the periodic analysis of the adequacy of the allowance for loan losses may require management to allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

DEPOSITS

Deposits have traditionally been the Corporation's primary funding source for use in lending and other investment activities. In addition to deposits, the Corporation derives funds from interest and principal repayments on loans and income from other earning assets. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows tend to fluctuate in response to economic conditions and interest rates. Deposits are attracted principally from within the Corporation's designated market area by offering a variety of deposit instruments, including regular savings accounts, demand deposit accounts, money market deposit accounts, term certificate accounts, and individual retirement accounts (IRAs). Interest rates paid, maturity terms, service fees, and withdrawal penalties for the various types of accounts are established periodically by the Corporation's management based on the Corporation's liquidity requirements, growth goals, and market trends. From time to time, the Corporation may also acquire brokered deposits. The amount of deposits from outside the Corporation's market area is not significant.

The average amount of deposits and average rates paid are summarized as follows for the years ended December 31:

	2022		2021		2020	
	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
	(dollars in thousands)					
Savings and interest-bearing demand deposits	$ 629,695	0.27%	$ 555,004	0.16%	$ 452,878	0.29%
Time deposits	114,824	0.55%	156,161	0.88%	171,881	1.56%
Demand deposits (non-interest bearing)	208,102	-	193,810	-	168,179	-
	$ 952,621		$ 904,975		$ 792,938	

There were no foreign deposits in any periods presented.

Total uninsured deposits greater than $250,000 were $159,940,000 at December 31, 2022, $256,517,000 at December 31, 2021, and $196,425,000 at December 31, 2020. These amounts represent an estimate calculated using a reasonable set of methodology and assumptions. Maturities of certificates of deposit and other time deposits of $250,000 or more outstanding at December 31, 2022 are summarized as follows:

	(in thousands)
Three months or less	$ 4,745
Over three months and through six months	1,100
Over six months and through twelve months	3,189
Over twelve months	9,224
	$ 18,258

Item 1A. Risk Factors

There are risks inherent to the Corporation’s business. The material risks and uncertainties that management believes affect the Corporation are described below. The risks and uncertainties described below are not the only ones facing the Corporation. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Corporation’s business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, the Corporation’s financial condition and results of operations could be materially and adversely affected.

Risks Related to the Corporation’s Business

The Corporation is Subject to Interest Rate Risk

The Corporation’s earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Corporation’s control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Corporation receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the Corporation’s ability to originate loans and obtain deposits, (ii) the fair value of the Corporation’s financial assets and liabilities, and (iii) the average duration of the Corporation’s mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Corporation’s net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. For example, in a rising interest rate environment, loans tend to prepay slowly and new loans at higher rates increase slowly, while interest paid on deposits increases rapidly because the terms to maturity of deposits tend to be shorter than the terms to maturity or prepayment of loans. Such differences in the adjustment of interest rates on assets and liabilities may negatively affect the Corporation's income.

Changing interest rates may decrease our earnings and asset values.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the Corporation’s results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Corporation’s financial condition and results of operations.

Expected interest rate increases could negatively affect our income, if we are not able to anticipate corresponding changes in market forces.

The Corporation’s operating results are dependent to a significant degree on its net interest income, which is the difference between interest income from loans, investments, and other interest-earning assets and interest expense on deposits, borrowings and other interest-bearing liabilities. The interest income and interest expense of the Corporation change as the interest rates on interest-earning assets and interest-bearing liabilities change. Interest rates may change because of general economic conditions, the policies of various regulatory authorities, and other factors beyond the Corporation's control.

We are subject to credit risk related to the interest rate environment and the economic conditions of the markets in which we operate.

There are inherent risks associated with the Corporation’s lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Corporation operates as well as those across the State of Ohio, the United States, and abroad. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Corporation is also subject to various laws and regulations that affect its lending activities. Loans not secured by one-to-four family residential real estate are generally considered to involve greater risk of loss than loans secured by one- to- four- family residential real estate due, in part, to the effects of general economic conditions. The repayment of multifamily residential, nonresidential real estate, and commercial loans generally depends upon the cash flow from the operation of the property or business, which may be negatively affected by national and local economic conditions. Construction loans may also be negatively affected by such economic conditions, particularly loans made to developers who do not have a buyer for a property before the loan is made. The risk of default on consumer loans increases during periods of recession, high unemployment, and other adverse economic conditions. When consumers have trouble paying their bills, they are more likely to pay mortgage loans than consumer loans. In addition, the collateral securing such loans, if any, may decrease in value more rapidly than the outstanding balance of the loan.

An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loans losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Corporation’s financial condition and results of operations.

The Corporation is subject to liquidity risk in its operations, which could adversely affect the ability to fund various obligations.

Liquidity risk is the possibility of being unable to meet obligations as they come due, pay deposits when withdrawn, capitalize on growth opportunities as they arise, or pay dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is derived primarily from retail deposit growth and retention, principal and interest payments on loans and investment securities, net cash provided from operation, and access to other funding sources. Liquidity is essential to our business. We must maintain sufficient funds to respond to the needs of depositors and borrowers. An inability to raise funds through deposits, borrowings, the sale or pledging as collateral of loans and other assets could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or regulatory action that limits or eliminates our access to alternate funding sources. Our ability to borrow could also be impaired by factors that are nonspecific to us, such as severe disruption of the financial markets or negative expectations about the prospects for the financial services industry as a whole, as evidenced by recent turmoil in the domestic and worldwide credit markets.

Inflation can have an adverse impact on the Corporation's earnings and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Beginning in 2021, and throughout 2022, there have been market indicators of a pronounced rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our fixed-rate investment securities, particularly those with longer maturities, would decrease. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Changes in accounting standards could impact the Corporation's reported earnings.

Current accounting and tax rules, standards, policies, and interpretations influence the methods by which financial institutions conduct business and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies and interpretations are constantly evolving and may change significantly over time. Events that may not have a direct impact on the Corporation, such as bankruptcy of major U.S. companies, have resulted in legislators, regulators, and authoritative bodies, such as the Financial Accounting Standards Board, the Securities and Exchange Commission, the Public Company Accounting Oversight Board and various taxing authorities, responding by adopting and/or proposing substantive revision to laws, regulations, rules, standards, policies, and interpretations. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. The Corporation's financial condition and results of operations may be adversely affected by a change in accounting standards.

The Corporation's Allowance for Loan Losses May Be Insufficient

The Corporation maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management's best estimate of probable losses within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions, and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires the Corporation to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Corporation's control, may require a potentially significant increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review the Corporation's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, the Corporation will need additional provisions to increase the allowance for loan and lease losses. Any increases in the allowance for loan and lease losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Corporation's financial condition and results of operations. While the Board of Directors of the Corporation believes that it uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in material adjustments, and net earnings could be significantly adversely affected if circumstances differ substantially from the assumptions used in making the final determination.

Prepayments of loans may negatively impact our business.

Generally, customers of the Corporation may prepay the principal amount of their outstanding loans at any time. The speed at which such prepayments occur, as well as the size of such prepayments, are within such customers' discretion. If customers prepay the principal amount of their loans, and the Corporation is unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates, the Corporation's interest income will be reduced. A significant reduction in interest income could have a negative impact on the Corporation's results of operations and financial condition.

The Corporation may face increasing pressure from historical purchasers of our residential mortgage loans to repurchase those loans or reimburse purchasers for losses related to those loans.

The Corporation generally sells the fixed rate long-term residential mortgage loans it originates on the secondary market and retains adjustable-rate mortgage loans for its portfolios. In response to the financial crisis, the Corporation believes that purchasers of residential mortgage loans, such as government sponsored entities, are increasing their efforts to seek to require sellers of residential mortgage loans to either repurchase loans previously sold or reimburse purchasers for losses related to loans previously sold when losses are incurred on a loan previously sold due to actual or alleged failure to strictly conform to the purchaser's purchase criteria. As a result, the Corporation may face increasing pressure from historical purchasers of its residential mortgage loans to repurchase those loans or reimburse purchasers for losses related to those loans and the Corporation may face increasing expenses to defend against such claims. If the Corporation is required in the future to repurchase loans previously sold, reimburse purchasers for losses related to loans previously sold, or if the Corporation incurs increasing expenses to defend against such claims, its financial condition and results of operations would be negatively affected. Additionally, such actions would lower the Corporation's capital ratios as a result of increased assets and reduced income through expenses and any losses incurred.

The Dodd-Frank Act may adversely impact the Corporation's results of operations, financial condition or liquidity.

The Dodd-Frank Act, enacted in 2010, is complex and several of its provisions are still being implemented. The Dodd-Frank Act established the Consumer Financial Protection Bureau, which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act altered the authority and duties of the federal banking and securities regulatory agencies, implemented certain corporate governance requirements for all public companies including financial institutions with regard to executive compensation, proxy access by shareholders, and certain whistleblower provisions, and restricted certain proprietary trading and hedge fund and private equity activities of banks and their affiliates. The Dodd-Frank Act also required the issuance of numerous regulations, many of which have not yet been issued. The regulations will continue to take effect over several more years, continuing to make it difficult to anticipate the overall impact.

If the Corporation is required to write-down goodwill and other intangible assets, its financial condition and results of operations would be negatively affected.

A substantial portion of the value of the merger consideration paid in connection with recent acquisitions was allocated to goodwill and other intangible assets on the Corporation's consolidated balance sheet. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. The Corporation is required to conduct an annual review to determine whether goodwill and other identifiable intangible assets are impaired.

Goodwill is tested for impairment annually as of September 30th. An impairment test also could be triggered between annual testing dates if an event occurs, or circumstances change that would more likely than not reduce the fair value below the carrying amount. Examples of those events or circumstances would include a significant adverse change in business climate; a significant unanticipated loss of customers or assets under management; an unanticipated loss of key personnel; a sustained period of poor investment performance; a significant loss of deposits or loans; a significant reduction in profitability; or a significant change in loan credit quality.

The Corporation cannot assure that it will not be required to take an impairment charge in the future. Any material impairment charge would have a negative effect on the Corporation's financial results and shareholders' equity.

The Corporation's Profitability Depends Significantly on Economic Conditions in the State of Ohio

The Corporation's success depends primarily on the general economic conditions of the State of Ohio and the specific local markets in which the Corporation operates. Unlike larger national or other regional banks that are more geographically diversified, the Corporation provides banking and financial services to customers primarily in the Ohio counties of Allen, Delaware, Franklin, Hancock, Huron, Putnam, Marion, Sandusky, Van Wert, and Wood. The local economic conditions in these areas have a significant impact on the demand for the Corporation's products and services as well as the ability of the Corporation's customers to repay loans, the value of the collateral securing loans and the stability of the Corporation's deposit funding sources. A significant decline in general economic conditions, caused by inflation, significant supply chain disruptions, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors could impact those local economic conditions and, in turn, have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Operates in a Highly Competitive Industry and Market Area

The Corporation faces substantial competition in all areas of its operations from a variety of different competitors, many of whom are larger and may have more financial resources. Such competitors primarily include national, regional, and community banks within the various markets the Corporation operates. The Corporation also faces competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes as well as continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of the Corporation's competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than the Corporation can.

The Corporation's ability to compete successfully depends on a number of factors, including, among other things:

- The ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets.
- The ability to expand the Corporation's market position.
- The scope, relevance and pricing of products and services offered to meet customer needs and demands.
- The rate at which the Corporation introduces new products and services relative to its competitors.
- Customer satisfaction with the Corporation's level of service.
- Industry and general economic trends.

Failure to perform in any of these areas could significantly weaken the Corporation's competitive position, which could adversely affect the Corporation's growth and profitability, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

Legislative or regulatory changes or actions could adversely impact our business

The financial services industry is extensively regulated. We are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of our operations. These laws and regulations are primarily intended for the protection of consumers, depositors, borrowers, and the DIF, not to benefit our shareholders. Changes to laws and regulations or other actions by regulatory agencies may negatively impact us, possibly limiting the services we provide, increasing the ability of non-banks to compete with us or requiring us to change the way we operate. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on the operation of an institution and the ability to determine the adequacy of an institution's allowance for loan losses. Failure by our bank or bank holding company to comply with applicable laws, regulations, and policies could result in sanctions being imposed by the regulatory agencies, including the imposition of civil money penalties, which could have a material adverse effect on our operations and financial condition.

The Corporation is subject to Environmental Liability Risk Associated with Lending Activities

A significant portion of the Corporation's loan portfolio is secured by real property. During the ordinary course of business, the Corporation may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Corporation may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Corporation to incur substantial expenses and may materially reduce the affected property's value or limit the Corporation's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Corporation's exposure to environmental liability. Although the Corporation may perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation's Controls and Procedures May Fail or Be Circumvented

Management regularly reviews and updates the Corporation's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Corporation's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Corporation's business, results of operations and financial condition.

UBOH Relies On Dividends from Its Subsidiary for Most of Its Revenue

UBOH is a separate and distinct legal entity from its subsidiary. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on UBOH common stock, interest and principal on UBOH debt, and other operating expenses. Various federal and/or state laws and regulations limit the amount of dividends that Union Bank may pay to UBOH. Under these law and regulations, the amount of dividends that may be paid by Union Bank in any calendar year is generally limited to the current year's net profits, combined with the retained net profits of the preceding two years. In addition, the FDIC has issued policy statements that provide that insured banks should generally only pay dividends out of current operating earnings. Thus, the ability of Union Bank to pay dividends to UBOH in the future will be subject to Union Bank's ability to earn profits in the future, and the federal statutory provisions, regulations, regulatory policies, and capital guidelines which are applicable to UBOH and Union Bank. Furthermore, the Federal Reserve's Small Bank Holding Company Policy Statement provides, *inter alia,* that it is expected that dividends by a holding company will be eliminated in the event that a holding company is: (1) not reducing its debt consistent with the requirement that the debt-to-equity ratio be reduced to 0.30:1, or (2) not meeting the requirements of its loan agreement(s). Also, UBOH's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event Union Bank is unable to pay dividends to UBOH, UBOH may not be able to service debt, pay obligations or pay dividends on UBOH's common stock or trust preferred securities. The inability to receive dividends from Union Bank could have a material adverse effect on UBOH's business, financial condition and results of operations.

The Corporation May Not Be Able To Attract and Retain Skilled People

The Corporation's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Corporation can be intense and the Corporation may not be able to hire such people or to retain them. The unexpected loss of services of one or more of the Corporation's key personnel could have a material adverse impact on the Corporation's business because of their skills, knowledge of the Corporation's market, years of industry experience, and the difficulty of promptly finding qualified replacement personnel.

The Corporation's Business could be Adversely Affected by Third-Party Service Providers, Data Breaches and Cyber-Attacks

The Corporation faces the risk of operational disruption, failure, or capacity constraints due to its dependency on third-party vendors for components of its business infrastructure. While the Corporation has selected these third-party vendors through its vendor management processes, the Corporation does not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect the Corporation's business and operations.

Further, the Corporation may be affected by data breaches at retailers and other third parties who participate in data interchanges with the Corporation and its customers that involve the theft of customer credit and debit card data, which may include the theft of the Corporation's debit card PIN numbers and commercial card information used to make purchases at such retailers and other third parties. Such data breaches could result in the Corporation's incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on the Corporation's results of operations.

To date, the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not suffer such attacks or attempted breaches or incur resulting losses in the future. The Corporation's risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats. The Corporation's plans to continue to implement internet and mobile banking to meet customer demand, and the current economic and political environment. As cyber and other data security threats continue to evolve, the Corporation may be required to expend significant additional resources to continue to modify and enhance its protective measures or to investigate and remediate any security vulnerabilities.

The Corporation's assets at risk for cyber-attacks include financial assets and non-public information belonging to customers. The Corporation utilizes several third-party vendors who have access to the Corporation's assets via electronic media. Certain cyber security risks arise due to this access, including cyber espionage, blackmail, ransom, and theft. The Corporation employs many preventive and detective controls to protect its assets and provides mandatory recurring information security training to all employees. The Corporation maintains certain insurance coverage to prevent material financial loss from cyber-attacks.

The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy.

With a recent shift in control of the House of Representatives in January 2023, we expect a more balanced approach to overall speed and severity of new legislation. The Democrats have retained control of the U.S. Senate, albeit with a slight majority of 51-49. Without control of both chambers of Congress, we expect the White House to pursue greater regulation and oversight through executive action. The expectation is that the White House will pursue greater oversight and will also pay increased attention to consumer fees as well as the banking sector's role in providing COVID-19-related assistance. The prospects for the enactment of major banking reform legislation under the new Congress are unclear at this time. Moreover, the presidential administration, since taking office in January 2021, has produced, and likely will continue to produce, certain changes in the leadership and senior staffs of the federal banking agencies, the Consumer Financial Protection Bureau, the Commodity Futures Trading Commission, the Securities and Exchange Commission, and the Treasury Department. The potential impact of any changes in agency personnel, policies and priorities on the financial services sector, including the Bank, cannot be predicted at this time.

The Corporation Continually Encounters Technological Change

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Corporation's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Corporation's operations. Many of the Corporation's competitors have substantially greater resources to invest in technological improvements. The Corporation may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Corporation's business and, in turn, the Corporation's financial condition and results of operations.

Emergence of nonbank alternatives to the financial system.

Consumers may decide not to use banks to complete their financial transactions. Technology and other changes, including the emergence of "Fintech Companies" are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can complete transactions, such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

Damage to the Corporation's reputation could damage its businesses.

Maintaining trust in the Corporation is critical to our ability to attract and maintain customers, investors, and employees. Damage to our reputation can therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, security breaches, compliance failures, litigation or regulatory outcomes, or governmental investigations. Our reputation could also be harmed by the failure of an affiliate, a vendor or other third party with which we do business, to comply with laws or regulations. In addition, a failure or perceived failure to deliver appropriate standards of service and quality, to treat customers and clients fairly, or to handle or use confidential information of customers or clients appropriately or in compliance with applicable privacy laws and regulations can result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to our reputation. Adverse publicity or negative information posted on social media websites regarding the Corporation, whether or not true, may result in harm to the prospects. Should any of these or other events or factors that can undermine our reputation occur, there is no assurance that the additional costs and expenses that we may need to incur to address the issues giving rise to the reputational harm could not adversely affect our earnings and results of operations, or that damage to our reputation will not impair our ability to retain our existing or attract new customers, investors and employees.

The Corporation Is Subject To Claims and Litigation Pertaining to Fiduciary Responsibility

From time to time, customers make claims and take legal action pertaining to the Corporation's performance of its fiduciary responsibilities. Whether customer claims and legal action related to the Corporation's performance of its fiduciary responsibilities are founded or unfounded, if such claims and legal action are not resolved in a manner favorable to the Corporation they may result in significant financial liability and/or adversely affect the market perception of the Corporation and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Corporation's business, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

Severe Weather, Natural Disasters, Acts of War or Terrorism and Other External Events Could Significantly Impact the Corporation's Business

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Corporation's ability to conduct business. This could also include the potential effects of coronavirus on international trade, supply chains, travel, employee productivity and other economic activities. Such events could affect the stability of the Corporation's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Corporation to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on the Corporation's business, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

Risks Associated with the Corporation's Industry

The Earnings of Financial Services Companies are significantly affected by General Business and Economic Conditions

The Corporation's operations and profitability are impacted by general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, and the strength of the U.S. economy and the local economies in which the Corporation operates, all of which are beyond the Corporation's control. Deterioration in economic conditions could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for the Corporation's products and services, among other things, any of which could have a material adverse impact on the Corporation's financial condition and results of operations.

Financial Services Companies Depend on the Accuracy and Completeness of Information about Customers and Counterparties

In deciding whether to extend credit or enter into other transactions, the Corporation may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Corporation may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Corporation's business and, in turn, the Corporation's financial condition and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable

Item 2. Properties

At December 31, 2022, the Corporation and the Bank conducted its business from its headquarters and operations center at 105 Progressive Drive Columbus Grove, Ohio. There are eighteen full-service banking centers and three loan production offices in northwest and central Ohio listed below.

Full-Service Branch Locations:

Bowling Green	**Kalida**
1300 North Main Street	110 East North Street
Columbus Grove	**Leipsic**
101 Progressive Drive	**318 South Belmore Street**
Delaware	Lima
30 Coal Bend Road	701 Shawnee Road
	1410 Bellefontaine Avenue
Delphos	**3211 Elida Road**
114 East Third Street	
	Marion
	111 South Main Street
Findlay	**220 Richland Road**
1500 Bright Road	
	Westerville
Gahanna	**468 Polari Parkway**
461 Beecher Road	
	Ottawa
Gibsonburg	**245 West Main Street**
230 West Madison Street	
	Paulding
Pemberville	103 East Perry Street
132 East Front Street	
Pemberville	
132 East Front Street	
Loan Production Offices:	
Findlay	**Marysville**
222 S. Main St., Unit 1	240 W. Fifth St.
Plymouth	
2660 US Highway 224 Suite 3	

Item 3. Legal Proceedings

As of March 8, 2023, there are no pending legal proceedings to which the Corporation or its subsidiary are a party or to which any of their property is subject except routine legal proceedings to which the Corporation or its subsidiary are a party incident to its banking business. None of such proceedings are considered by the Corporation to be material.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Additional information required herein is incorporated by reference from ("Description of the Corporation") United Bancshares' Annual Report to Shareholders for 2022 ("Annual Report"), which is included herein as Exhibit 13.

Stock Repurchase Program

The table below includes certain information regarding the Corporation's repurchase of United Bancshares, Inc. common stock during the quarterly period ended December 31, 2022:

Period	Total number of shares purchased	Weighted Average price paid per share	Total number of shares purchased as part of a publicly announced plan or program (1)	Maximum number of shares that may yet be purchased under the plan or program (1)
10/01/2022 - 10/31/2022	-	$ -	0	338,693
11/01/2022 - 11/30/2022	10,000	$ 18.59	10,000	328,693
12/01/2022 - 12/31/2022	76,953	$ 23.64	76,953	251,740

(1) A stock repurchase program ("Plan") was announced on July 29, 2005 (100,000 shares authorized) and expanded by 100,000 shares on December 23, 2005, 200,000 shares on March 20, 2007, 200,000 shares on December 17, 2014, and 200,000 shares on November 18, 2021. The Plan authorizes the Corporation to repurchase up to 800,000 of the Corporation's common shares from time to time in a program of market purchases or in privately negotiated transactions as the securities laws and market conditions permit.

Item 6. Selected Financial Data

The information required herein is incorporated by reference from ("Five Year Summary of Selected Financial Data") United Bancshares' Annual Report to Shareholders for 2022 ("Annual Report"), which is included herein as Exhibit 13.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required herein is incorporated by reference to page 5 through 17 ("Management's Discussion and Analysis") of United Bancshares' Annual Report to Shareholders for 2022 ("Annual Report"), which is included herein as Exhibit 13.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required of smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The information required herein is incorporated by reference from pages 19 through 64 of United Bancshares' Annual Report to Shareholders for 2022 ("Annual Report"), which is included herein as Exhibit 13.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management of the Corporation is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934. An evaluation was performed under the supervision, and with the participation, of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of December 31, 2022. Based on the results of the evaluation, and as of the time of that evaluation, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Corporation in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. Management of the Corporation and its subsidiary are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Corporation's internal control over financial reporting is a process designed under the supervision of the Corporation's Chief Executive Officer and Chief Financial Officer. The purpose is to provide reasonable assurance to the Board of Directors regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Management maintains internal controls over financial reporting. The internal controls contain control processes, and actions are taken to correct deficiencies as they are identified. The internal controls are evaluated on an ongoing basis by the Corporation's Management and Audit Committee. Even effective internal controls, no matter how well designed, have inherent limitations – including the possibility of circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to financial statement preparation. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the Corporation's internal controls as of December 31, 2022, in relation to criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2022, the Corporation's internal control over financial reporting was effective.

There were no changes in the Corporation's internal control over financial reporting that occurred during the fiscal year ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Our Proxy Statement will be filed with the SEC no later than March 30, 2023, in preparation for the 2022 Annual Meeting of Shareholders scheduled for April 26, 2023. As permitted in Paragraph G(3) of the General Instructions for Form 10-K, we are incorporating by reference to that statement portions of the information required by Part III as noted in Item 10 through Item 14 below.

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS

The nominees identified below have been nominated to serve as directors until the 2024 annual meeting of shareholders and until their respective successors are elected and qualified. Mr. Benroth, Mr. Huffman, Mr. Rigel, Mr. Roach, Mr. Schutt, Mr. Unverferth and Mr. Young are incumbent directors whose present terms will expire at the 2023 annual meeting. The following table sets forth information concerning the directors of United Bancshares:

Name	Age	Principal Occupation(1)	Positions Held with United Bancshares	Director of United Bancshares Since	Director of The Union Bank Company Since(2)
Robert L. Benroth	60	Putnam County Auditor and Chief Financial Officer	Director	2003	2001
Herbert H. Huffman	72	Retired Educator	Director	2018	1993
H. Edward Rigel	80	Farmer, Rigel Farms, Inc.	Director	2000	1979
David P. Roach	72	Vice-President and General Manager for First Family Broadcasting of Ohio(3)	Director	2001	1997
Daniel W. Schutt	75	Retired Banker(4)	Director and Chairman	2005	2005
R. Steven Unverferth	70	Chairman, Unverferth Manufacturing Company, Inc.	Director	2005	1993
Brian D. Young	56	President and Chief Executive Officer of United Bancshares(5)	Director, President and CEO	2012	2008

(1) Except as otherwise indicated in this Proxy Statement, each nominee has held the occupation identified for at least five years preceding the date of this Proxy Statement.
(2) Indicates year first elected or appointed to the Board of Directors of The Union Bank Company, a subsidiary of United Bancshares, or either of its former affiliate banks, Bank of Leipsic or the Citizens Bank of Delphos.
(3) Mr. Roach previously served as a Manager at Maverick Media Radio Stations of Ohio.
(4) Mr. Schutt is now retired. Mr. Schutt has served as Vice Chairman of United Bancshares since April of 2015 and Chairman since 2018.
(5) Mr. Young is the current President and Chief Executive Officer of United Bancshares and has served in such capacity since August 2012.

The Board of Directors has set the size of the Board at seven directors. In the future, should the Board of Directors determine that additional new members would be beneficial to the Corporation, it will take action to increase the size of the Board and work with the Nominating Committee to find suitable candidates for placement on the Board.

Director Qualifications

Robert L. Benroth is a current director of United Bancshares and The Union Bank Company. He currently serves as Auditor and Chief Financial Officer for Putnam County. Mr. Benroth joined the Board of The Union Bank Company in 2001 and the Board of United Bancshares in 2003. He serves as Chairman of the Audit Committee, and is a member of the Nominating Committee and the Employee Stock Purchase Plan Committee. Mr. Benroth is a past member of the Accountancy Board of Ohio.

Mr. Benroth brings to the Board a breadth of relevant experience in accounting and financial matters and serves as the Board's "Audit Committee financial expert" as defined in Item 407(d)(5) of Regulation S-K. Further, Mr. Benroth brings to the Board an institutional knowledge of The Union Bank Company due to his extensive tenure as a member of its Board.

Herbert H. Huffman is a current director of United Bancshares and The Union Bank Company. He joined the Board of The Union Bank in 1993 and the Board of United Bancshares in 2018. Mr. Huffman is a retired educator who spent 35 years in the Ottawa-Glandorf school system. He earned a Bachelor's degree from the University of Findlay and a Master's degree from the University of Dayton. Mr. Huffman brings to the Board extensive knowledge of the Bank and the United Bancshares as well as many of the communities in which the Bank operates. Mr. Huffman is a member of the Compensation Committee and Audit Committee.

H. Edward Rigel is currently a director of United Bancshares and a director of The Union Bank Company. He joined the Board of the Bank of Leipsic in 1979 (and, subsequent to the acquisition of the Bank of Leipsic by The Union Bank Company, the Board of The Union Bank Company in 2000) and the Board of United Bancshares in 2000. He is also President of Rigel Farms, Inc., a role that he has occupied since 1979. Mr. Rigel serves as Chairman of the Nominating Committee and is a member of the Audit Committee.

Mr. Rigel's executive and management experience have equipped him to contribute to the Board's oversight of the Corporation's management and business activities. He also brings to the Board an institutional knowledge of the Bank of Leipsic, The Union Bank Company and United Bancshares due to his extensive tenures on those respective Boards.

David P. Roach is currently a director of United Bancshares and a director of The Union Bank Company. He joined the Board of the Citizens Bank of Delphos in 1997 (and, subsequent to the acquisition of the Citizens Bank of Delphos by The Union Bank Company, the Board of The Union Bank Company in 2001) and the Board of United Bancshares in 2001. He is currently the Vice-President and General Manager for First Family Broadcasting of Ohio. Mr. Roach is a member of the Compensation Committee and the Nominating Committee.

Mr. Roach's extensive executive and management experience have equipped him to contribute to the Board's oversight of management and business activities. Further, Mr. Roach brings relevant experience and an institutional knowledge of the Corporation developed through his long tenure on the Citizens Bank of Delphos, The Union Bank Company and United Bancshares Boards.

Daniel W. Schutt is currently a director and has served in that capacity for The Union Bank Company and United Bancshares since 2005. Mr. Schutt has also served as Vice Chairman of United Bancshares since April of 2015 and has served as Chairman of United Bancshares since April of 2018. Mr. Schutt formerly served as President and Chief Executive Officer of United Bancshares from January 2005 until his retirement in July 2012. He also served as President of The Union Bank Company from January 2005 to March 2010 and as its Chief Executive Officer and Chairman from January 2005 until his retirement from those roles in July 2012. Mr. Schutt is a member of the Nominating Committee and Compensation Committee.

Mr. Schutt brings valuable insight and industry knowledge to the Board with over 40 years of experience, including over 25 years of experience as an executive, within the banking industry. During his tenure as past President and Chief Executive Officer, Mr. Schutt has developed unique insights into the business activities of the Corporation and its subsidiaries and provides a wealth of institutional knowledge to the Board.

R. Steven Unverferth is currently a director of United Bancshares and The Union Bank Company. He is also the current Chairman and former President of Unverferth Manufacturing Company, Inc., a large agricultural equipment manufacturer. Mr. Unverferth became affiliated with the Board of The Union Bank Company in 1993 and joined the Board of United Bancshares in 2005. Mr. Unverferth serves as the Chairman of the Compensation Committee and is a member of the Audit Committee.

Mr. Unverferth brings to the Board an extensive executive management and agricultural experience which equip him to contribute to the Board's oversight of the Corporation's management and business activities. Further, Mr. Unverferth brings to the Board an institutional knowledge of The Union Bank Company due to his extensive tenure as a member of its Board.

Brian D. Young is currently a director and the President and Chief Executive Officer of United Bancshares and The Union Bank Company. Mr. Young has been a director of The Union Bank Company since 2008 and of United Bancshares since 2012.

Mr. Young brings to the Board extensive experience in all aspects of the bank operations and management. Having served in numerous roles at The Union Bank Company and United Bancshares over the past 18 years, Mr. Young provides invaluable insight and institutional knowledge and provides the Board information as to the operations of the Corporation and its subsidiaries, identifying near- and long-term challenges and opportunities for the Corporation.

EXECUTIVE OFFICERS

The following table identifies each of the current executive officers of United Bancshares.

Name	Age	Principal Occupation	Positions Held with United Bancshares	Director of United Bancshares Since	Director of The Union Bank Company Since
Denise Giesige	55	Secretary of United Bancshares(1)	Secretary	N/A	N/A
Klint D. Manz	39	Chief Financial Officer(2)	CFO	N/A	N/A
Brian D. Young	56	President and Chief Executive Officer of United Bancshares	Director, President and CEO	2012	2008

(1) Ms. Giesige was appointed the Secretary of United Bancshares and Human Resource Manager of The Union Bank Company on September 5, 2022. Prior to this appointment, Ms. Giesige served as the interim Secretary since July 19, 2022, and as Human Resource Specialist for The Union Bank Company since January 14, 2022. Ms. Giesige has been with the Company for 21 years.

(2) Mr. Manz was appointed the Chief Financial Officer on July 19, 2022. Prior to this appointment, Mr. Manz served at The Union Bank Company as the Chief Lending Officer since January 1, 2021, and the Loan Product Manager since December 2, 2019. Mr. Manz has maintained his role as the Chief Lending Officer. Prior to this time Mr. Manz served as Assistant Controller, Profitability Account Manager and Commercial/Agriculture Lender with a bank with assets in excess of $3 billion.

CORPORATE GOVERNANCE

Board of Directors Meetings

The Board of Directors met 12 times during the fiscal year ended December 31, 2022, and each director attended at least 75% of the combined total of meetings of the Board of Directors and meetings of each committee on which such director served during 2022. United Bancshares encourages its directors to attend its Annual Meetings of Shareholders. However, one director was not able to attend the 2022 Annual Meeting of Shareholders. All of the directors of United Bancshares also serve as directors of United Bancshares' depository subsidiary, The Union Bank Company. Independent members of the Board of Directors of the Corporation meet in executive session without management present, and are scheduled to do so at least two times per year. The Board of Directors has designated Daniel W. Schutt as the presiding director for these meetings.

Board Leadership Structure and Risk Oversight

The Chairman of the Board is an outside director and presides at meetings of the Board. The Chairman is appointed on an annual basis by at least a majority vote of the remaining directors. Currently, the offices of Chairman of the Board and Chief Executive Officer are separated. Such separation enables the Chairman to devote his time to managing the Board and the Chief Executive Officer to focus on the operations of the Corporation. The Corporation has no fixed policy with respect to separation of the offices of the Chairman of the Board and Chief Executive Officer, and the Board believes it is in the best interests of the Corporation and its shareholders to review the leadership structure from time to time.

The Board of Directors is responsible for consideration and oversight of risks facing the Corporation, and is responsible for ensuring that material risks are identified and managed appropriately. Several oversight functions are delegated to committees of the Board with such committees regularly reporting to the full Board the results of their respective oversight activities. As part of this process, the Board reviews management's risk-assessment process and periodically reviews the most important enterprise risks to ensure that compensation programs do not encourage excessive risk-taking. Additional review or reporting on enterprise risks is conducted as needed or as requested by the Board or a Board committee.

Shareholder Communications

Our shareholders may communicate directly with the members of the Board of Directors or the individual chairman of standing committees of the Board of Directors by writing directly to those individuals at the following address: 105 Progressive Drive, Columbus Grove, Ohio 45830. The Corporation's general policy is to forward, and not to intentionally screen, any mail received at the Corporation's corporate office that is sent directly to members of the Corporation's Board of Directors.

Hedging Practices

The Corporation has not adopted any practice or policies regarding the ability of directors or employees (including officers), or their designees, to purchase financial instruments, or otherwise engage in transactions, that are designed to hedge or offset any decrease in the market value of the Company's stock held by such insiders.

COMMITTEES OF THE BOARD OF DIRECTORS

Nominating Committee

The Corporation has a Nominating Committee, the members of which are H. Edward Rigel (Chairman), Robert L. Benroth, David P. Roach and Daniel W. Schutt. Each member of the Nominating Committee is independent within the meaning of applicable NASDAQ Rules. The Nominating Committee, which was formed in 2003, is responsible for reviewing the qualifications of potential candidates for the Board of Directors, including those potential candidates submitted by shareholders. In addition, the Nominating Committee recommends to the Board of Directors candidates for election as directors at the Annual Meeting of Shareholders and candidates to fill vacancies on the Board of Directors. United Bancshares does not have a formal policy regarding consideration of such recommendations; however, any recommendations received from shareholders will be evaluated in the same manner that potential nominees suggested by the Board of Directors are evaluated, as described below. Shareholders may send director nomination recommendations to the Secretary of the Corporation at 105 Progressive Drive, Columbus Grove, Ohio 45830. In addition, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors by following the procedures outlined in the Corporation's Code of Regulations.

The Nominating Committee of our Board of Directors considers candidates to fill new directorships created by expansion and vacancies that may occur and makes recommendations to the Board of Directors with respect to such candidates. The Board has not adopted a policy with respect to minimum qualifications for directors, rather the Nominating Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group of persons that can best implement our business plan, perpetuate our business and represent shareholder interests. It is a policy of the Nominating Committee that candidates for director possess the highest personal and professional integrity, have demonstrated exceptional ability and judgment, and have skills and expertise appropriate for the Corporation and serving the long-term interest of the Corporation's shareholders. The committee, in making its nominations, considers all relevant qualifications of candidates for board membership, including, among other things, factors such as an individual's business experience, industry knowledge and experience, financial background, breadth of knowledge about issues affecting the Corporation, public company experience, bank and other regulatory experience, diversity, current employment and other board memberships, and whether the candidate will be independent under the listing standards of the NASDAQ Global Select Market. In some cases, the Nominating Committee may require certain skills or attributes, such as financial or accounting experience, to meet specific Board needs that arise from time to time. In the case of incumbent directors whose terms of office are set to expire, the committee also reviews such director's overall service to the Corporation during his or her term and any relationships and transactions that might impair such director's independence.

While the Corporation does not have a formal diversity policy for Board membership, the Board seeks directors who represent a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. The Nominating Committee considers, among other factors, diversity with respect to viewpoint, skills, experience and community involvement in its evaluation of candidates for Board membership. Such diversity considerations are discussed by the Nominating Committee in connection with the general qualifications of each potential nominee.

The Nominating Committee's process for identifying and evaluating nominees is as follows: (1) in the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to the Corporation during their term, including the number of meetings attended, level of participation, quality of performance, and any related party transactions with the Corporation during the applicable time period; and (2) in the case of new director candidates, the Nominating Committee first conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating Committee may conduct an interview of a possible candidate and then meet to discuss and consider such candidate's qualifications, including whether the nominee is independent for purposes of the NASDAQ Rules. It then selects a candidate for recommendation to the Board of Directors by majority vote. In seeking potential nominees, the Nominating Committee uses its network of contacts and those who have expressed interest to compile a list of potential candidates. To date, the Nominating Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

The Nominating Committee meets as many times as necessary to determine the nominees for the Board of Directors for the next Annual Meeting. The Nominating Committee met a total of two times during the fiscal year ended December 31, 2022. The Nominating Committee has adopted a written charter which may be found on the Corporation's website at http://ir.theubank.com.

Compensation Committee

United Bancshares has a Compensation Committee, the members of which are Herbert H. Huffman, David P. Roach, Daniel W. Schutt and R. Steven Unverferth (Chairman). Each member of the Compensation Committee is independent within the meaning of applicable NASDAQ Rules and all are non-employee directors within the meaning of Section 162 of the Internal Revenue Code and Rule 16b-3 under the Exchange Act. In determining the independence of Compensation Committee members, the Board of Directors considers the source and amount of compensation received by the members and whether the member is affiliated with the Corporation or its subsidiary. The Compensation Committee is responsible for reviewing the compensation, performance and retention related issues with respect to the executive officers of United Bancshares. A written charter for the Compensation Committee was adopted on February 18, 2014, as required by NASDAQ Rule 5605(d)(1), which may be found on the Corporation's website at http://ir.theubank.com. The Compensation Committee met two times during 2022.

The Compensation Committee of the Board of Directors is responsible for developing recommendations with respect to the compensation to be paid to the Corporation's executive officers and for the performance review of the Chief Executive Officer as well as developing the executive compensation principles, policies and programs for all of our executive officers. In establishing the final compensation for the named executive officers, the Compensation Committee proposes the compensation amounts to the Board of Directors, which makes any necessary changes to the compensation and gives final approval of the compensation. The Compensation Committee has the sole authority to engage the services of any compensation consultant or advisor. The corporation did not engage any such consultant or advisor with respect to compensation in 2022. Brian D. Young, the Corporation's Chief Executive Officer, participated with respect to compensation decisions concerning other executive officers of the Corporation for 2022, but did not participate with respect to any determinations regarding his own compensation.

Audit Committee

The Corporation has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, the members of which are R. Steven Unverferth, H. Edward Rigel, Herbert H. Huffman and Robert L. Benroth (Chairman). The Audit Committee was created and a written charter for the Audit Committee was adopted on August 8, 2000, and amended on February 15, 2005. All of the members of the Audit Committee are (i) independent directors as defined in NASDAQ Rule 5605(a)(2); (ii) meet the criteria for independence set forth in Rule 10A(m)(3) of the Securities Exchange Act of 1934; and (iii) have not participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years. The Board of Directors has determined that Robert L. Benroth is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K. The Audit Committee has the sole authority to retain and dismiss the independent auditors and reviews their performance and independence with management. The primary functions of the Audit Committee are to oversee: (i) the audit of the financial statements of the Corporation provided to the SEC, the Corporation's shareholders and to the general public; (ii) the Corporation's internal financial and accounting controls and processes; and (iii) the independent audit process. The Audit Committee met a total of six times during the fiscal year ended December 31, 2022. A copy of the Audit Committee Charter may be found on the Corporation's website at http://ir.theubank.com.

AUDIT COMMITTEE REPORT

The Audit Committee has (i) reviewed and discussed our audited financial statements for 2022 with our management: (ii) discussed with our independent registered public accounting firm the matters required to be discussed by the applicable requirements of the PCAOB and the Commission, (iii) received the written disclosures and the letter from our independent registered public accounting firm required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence; and (iv) has discussed with our independent registered public accounting firm its independence. Based on the review and discussions with management and our independent registered public accounting firm referred to above, the Audit Committee recommended to the board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 31, 2022, and filed with the Securities and Exchange Commission.

Audit Committee
R. Steven Unverferth
H. Edward Rigel
Herbert H. Huffman
Robert L. Benroth, Chairman

DELINQUENT SECTION 16(a) REPORTS

Section 16(a) of the Securities Exchange Act of 1934 requires United Bancshares' officers and directors and persons who own more than 10% of a registered class of the Corporation's equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required to furnish United Bancshares with copies of all Section 16(a) forms they file. Except as otherwise indicated below, and based solely on review of the copies of such forms filed electronically with the Commission, or written representations from certain reporting persons that no additional reports were required, the Corporation believes that during 2022 all Section 16(a) filing requirements applicable to its officers and directors were met.

On February 17, 2004, the Corporation adopted a Code of Ethics that is applicable to the Corporation's Chief Executive Officer, Chief Financial Officer, and other Senior Officers. The Board of Directors reviews the Code of Ethics annually with the most recent review performed in November 2022. A copy of the Code of Ethics is available on the Corporation's website at https://www.theubank.com.

Item 11. Executive Compensation

COMPENSATION OF NAMED EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth the compensation paid by United Bancshares on a consolidated basis to its Principal Executive Officer, its Principal Financial Officer and its most highly compensated executives (the “named executive officers”). There were no other named executive officers whose total compensation exceeded $100,000 for the year ended December 31, 2022.

Name and Principal Position	**Year**	**Salary($) (i)**	**Bonus($) (ii)**	**Option Awards ($)(1) (iii)**	**Non-Equity Incentive Compensation ($)**	**Nonqualified Deferred Compensation Earnings($)**	**All Other Compensation($) (iv) (v)**	**Total($)**
Brian D. Young, *President*	2022	$ 395,000	$ 90,000	$ 95,000	N/A	N/A	$ 72,254(2)	$ 652,254
and Chief Executive Officer	2021	$ 371,125	$ 95,000	$ 90,563	N/A	N/A	$ 68,047(3)	$ 624,735
of United Bancshares	2020	$ 355,183	$ 60,000	$ 87,500	N/A	N/A	$ 64,969(4)	$ 567,652
Klint D. Manz (5), *Chief*	2022	$ 171,250	$ 45,150	$ 24,375	N/A	N/A	$ 19,720(6)	$ 260,495
Financial Officer of United	2021	$ 157,904	$ 40,150	$ 23,250	N/A	N/A	$ 18,010(7)	$ 239,314
Bancshares	2020	$ 98,077	$ 5,150	N/A	N/A	N/A	$ 9,469(8)	$ 112,696

(1) Amounts reflect the grant date fair value of stock options as calculated pursuant to FASB ASC Topic 718. See Note 20 to the consolidated financial statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, regarding assumptions underlying valuation of equity awards.

(2) Includes $9,150 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2022, $18,300 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and an accrual of $44,560 in connection with the officer’s defined benefit Salary Continuation Agreement, and $244 for life insurance premiums paid for the benefit of the officer.

(3) Includes $8,700 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2021, $17,400 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and an accrual of $41,762 in connection with the officer’s defined benefit Salary Continuation Agreement, and $185 for life insurance premiums paid for the benefit of the officer.

(4) Includes $8,550 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2020, $17,100 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and an accrual of $39,141 in connection with the officer’s defined benefit Salary Continuation Agreement, and $178 for life insurance premiums paid for the benefit of the officer.

(5) Mr. Manz became Chief Lending Officer of The Union Bank Company on January 1, 2021, and the Chief Financial Officer of United Bancshares on July 19, 2022.

(6) Includes $6,492 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2022, and $12,984 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and $244 for life insurance premiums paid for the benefit of the officer.

(7) Includes $5,942 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2021, and $11,883 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and $185 for life insurance premiums paid for the benefit of the officer.

(8) Includes $3,097 of discretionary contributions to the Corporation’s Employee Stock Ownership Plan, pursuant to the grant by the Board of Directors to all employees during 2020, and $6,194 of matching contributions pursuant to the terms of the Employee Stock Ownership Plan, and $178 for life insurance premiums paid for the benefit of the officer.

The total compensation package of named executive officers of the Corporation includes (i) base salary, (ii) discretionary annual cash bonuses, (iii) stock option awards, (iv) compensation that has been accrued under the Corporation’s defined benefit Salary Continuation Agreement with Mr. Young, and (v) discretionary and matching contributions to the Corporation’s Employee Stock Ownership Plan for the executives’ benefit.

The Corporation has accrued a total of $343,371 through December 31, 2022, related to Mr. Young’s Amended and Restated Salary Continuation Agreement executed on August 1, 2012. The amount has not been funded and Mr. Young is fully vested in such amount, except in connection with certain terminations for cause. Mr. Young’s Salary Continuation Agreement is more fully described in the “Potential Payments on Termination or Change in Control” section below. Named executive officers also receive other employee benefits generally available to all employees of the Corporation, including participation in medical plans, the Employee Stock Ownership Plans, and the Employee Stock Purchase Plan.

Mr. Young has entered into agreements with the Corporation which provide for certain termination payments, which agreements are more fully described in the “Potential Payments on Termination or Change in Control” section below.

Terms of Stock Option Awards. All of the stock option awards listed in the above table vest annually in three equal installments over a three-year period beginning on the first anniversary of the grant date, provided, however, that the respective grantee remains employed through the applicable vesting date. Upon a change of control of the Company as defined in the 2016 Stock Option Plan, 100% of the unvested options will vest if at any time during the three months prior to the effective date of any change of control to the first anniversary of such change of control: (a) the grantee’s employment is terminated for any reason other than cause, or (b) the grantee terminates employment voluntarily for good reason.

The following table summarizes, as of the end of fiscal year 2022 for each of the named executive officers, information concerning unexercised options.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Brian D. Young	9,911	0	$ 23.30	8/24/28(1)
	10,940	0	$ 22.97	6/18/29(2)
	12,203	6,102	$ 16.67	7/21/30(3)
	2,697	5,396	$ 34.60	7/30/31(4)
	0	13,669	$ 23.10	8/16/32(5)
Klint D. Manz	692	1,386	$ 34.60	7/30/31(4)
	0	3,507	$ 23.10	8/16/32(5)
Denise E. Giesige	N/A	N/A	N/A	N/A

(1) The options vest over three years on the anniversary date of issuance, at a rate of 33.33% per year (33.34% in the final year), beginning on August 24, 2019.

(2) The options vest over three years on the anniversary date of issuance, at a rate of 33.33% per year (33.34% in the final year), beginning on June 18, 2020.
(3) The options vest over three years on the anniversary date of issuance, at a rate of 33.33% per year (33.34% in the final year), beginning on July 21, 2021.
(4) The options vest over three years on the anniversary date of issuance, at a rate of 33.33% per year (33.34% in the final year), beginning on July 30, 2022.
(5) The options vest over three years on the anniversary date of issuance, at a rate of 33.33% per year (33.34% in the final year), beginning on August 16, 2023.

Potential Payments upon Retirement Termination or Change in Control

The Union Bank Company sponsors certain non-qualified supplemental retirement plans for the benefit of certain individuals designated by the Board of Directors of The Union Bank Company. The supplemental retirement plans, in the form of Salary Continuation Agreements, provide eligible individuals with a defined benefit supplemental retirement benefit, the amount of which is based upon the individual's years of service with The Union Bank Company. Benefits under the supplemental income plan become payable when the designated individual's employment terminates with The Union Bank Company due to normal retirement, early retirement, death or disability. Currently, Mr. Young participates in the plan. The formula by which benefits are determined is based upon age, years of service, age at retirement and actuarially determined variables. Under Mr. Young's plan, his retirement benefit, if he retires at age 60, will be a lump sum distribution of approximately $529,000. The accrued value under this plan for the benefit of Mr. Young was $343,371 as of December 31, 2022.

The Chief Executive Officer's Amended and Restated Salary Continuation Agreement and Change in Control Agreement provide for payments and/or vesting of benefits under certain circumstances in connection with termination of employment and a change in control. The triggering events for payments and vesting of benefits in the various agreements and plans are relatively common for agreements and plans of this nature, and are designed to provide for fair treatment of the participants under the various circumstances and to reasonably reward the participants for their loyalty and commitment to the Corporation. The following section describes the potential payments and other benefits that would have been received by each named executive if there had been a change in control or other termination of their employment with the Corporation on the last day of 2022.

While the definition of change in control varies among our various agreements and plans, in general a "change in control" means a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation.

The 2016 Stock Option Plan contains a double-trigger change of control clause that accelerates vesting upon a change of control as follows: the period beginning three months prior to the effective date of any change of control of the Company and ending on the first anniversary of such a change of control, one hundred percent of the stock options granted which have been outstanding for at least six months shall vest and be exercisable by the holder in the event that (a) the holder's status as an employee is involuntarily terminated by the Company for any reason other than cause, or (b) the holder voluntarily terminates his status as an employee as the result of a material reduction in the option holder's duties, title, or compensation from the Company. Thus, if there was a change in control on December 31, 2022 and the named executive officers were terminated or experienced material reductions in their duties, all of the ownership incentives held by the named executive officers for longer than six months would vest.

Brian D. Young

Under the terms of Mr. Young's change in control agreement executed with the Corporation on July 18, 2006, if Mr. Young's employment terminated in connection with a change in control at the end of 2022, Mr. Young would have been entitled to the lesser of 2.5 times his base salary at the date of the change of control, or one dollar less than the largest amount that could be paid to him without the payment qualifying as a "parachute payment" under Section 280G(b)(2)(A) of the Internal Revenue Code of 1986, as amended. In addition, if Mr. Young was terminated without cause or resigned as of the end of the year, other than in connection with a change in control, due to (a) a material diminution of his duties, responsibilities, compensation or benefits, (b) a reduction in his base salary, (c) a required relocation of more than 20 miles from Columbus Grove, Ohio, or (d) a disagreement as to the strategic plan of the Corporation, Mr. Young would be entitled to the same benefits as if a change in control happened. The Corporation would also have to pay the premiums for Mr. Young's COBRA insurance for one year following the termination.

Under Mr. Young's Salary Continuation Agreement, in the event that Mr. Young's employment was terminated at year end for any reason other than death or for cause, he would be entitled to the entire amount accrued under his agreement as of that date, or $343,371.

In the event that Mr. Young's employment with the Corporation terminated due to death at the end of 2022, his beneficiaries would be entitled to a payment of the full retirement benefit payable under the Salary Continuation Agreement, which is approximately $529,000. In the event that Mr. Young was terminated at year end for cause, as defined under the agreement, he would be entitled to no benefit payments under the agreement.

Compensation of the Directors

The following table contains information concerning the compensation earned in 2021 by the Corporation's directors.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Total ($)
Robert L. Benroth	$ 37,050(1)	$ 37,050
Herbert H. Huffman	$ 30,600(2)	$ 30,600
H. Edward Rigel	$ 31,900(3)	$ 31,900
David P. Roach	$ 30,900(4)	$ 30,900
Daniel W. Schutt	$ 42,900(5)	$ 42,900
R. Steven Unverferth	$ 31,750(6)	$ 31,750
Brian D. Young (7)	N/A	N/A

(1) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $6,000 in compensation for service as Chairman of the Audit Committee, $15,000 in compensation for service on the Board of Directors of The Union Bank Company, and $1,050 in compensation for service on the Board Credit Committee of The Union Bank Company.
(2) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $15,000 in compensation for service on the Board of Directors of The Union Bank Company, and $600 in compensation for service on the Board Credit Committee of The Union Bank Company.
(3) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $1,000 in compensation for service as Chairman of the Nominating Committee, $15,000 in compensation for service on the Board of Directors of The Union Bank Company, and $900 in compensation for service on the Board Credit Committee of The Union Bank Company.
(4) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $15,000 in compensation for service on the Board of Directors of The Union Bank Company and $900 in compensation for service on the Board Credit Committee of The Union Bank Company.
(5) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $12,000 in compensation for service as Chairman of the Board, $15,000 in compensation for service on the Board of Directors of The Union Bank Company, and $900 in compensation for service on the Board Credit Committee of The Union Bank Company.
(6) Constitutes $15,000 in compensation for service on the Board of Directors of the Corporation, $1,000 in compensation for service as Chairman of the Compensation Committee, $15,000 in compensation for service on the Board of Directors of The Union Bank Company, and $750 in compensation for service on the Board Credit Committee of The Union Bank Company.

(7) Mr. Young receives no compensation related to his capacity as a director of United Bancshares and The Union Bank Company.

The Corporation's directors receive up to $15,000 annual compensation for their service on the Board of Directors of United Bancshares and up to $15,000 for their service on the Board of Directors of the Corporation's wholly owned subsidiary The Union Bank Company. Additionally, the Chairman of the Board receives $12,000, the Chairman of the Audit Committee receives up to $6,000, the Chairman of the Nominating Committee receives up to $1,000, and the Chairman of the Compensation Committee receives up to $1,000 for their service in these positions. Finally, members of The Union Bank Company's Board Credit Committee, receive up to $150 per meeting for their service. Inside directors are not compensated for their services as directors beyond their salaries received from United Bancshares or its subsidiaries.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Under Rule 13(d) of the Securities Exchange Act of 1934, a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. The shareholders identified in the following table are deemed to be beneficial owners of 5% or more of the common stock of United Bancshares as of December 31, 2022. The Corporation is not aware of any other shareholder beneficially owning 5% or more of the Corporation's common stock.

Title of Class	**Name and Address of Beneficial Owner**	**Numbers of Shares Beneficially Owned**	**Percent of Class**
Common	Joe S. Edwards, Jr. 2626 Shoreline Drive Lima, Ohio 45805	185,101 (1)	5.87%
Common	Tontine Financial Partners, L.P., 1 Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830	294,327 (2)	9.33%
Common	United Bancshares, Inc. Restated Employee Stock Ownership Plan, 105 Progressive Drive Columbus Grove, Ohio 45830	346,267 (3)	10.98%

(1) Information is based on a Schedule 13G filed by Mr. Edwards on February 1, 2018 reporting that Mr. Edwards is deemed to be the beneficial owner of in excess of 5% of the outstanding common shares.

(2) Information is based on an amendment to Schedule 13G filed by Tontine Financial Partners, L.P. on February 11, 2022 reporting that it is deemed to be the beneficial owner of in excess of 5% of the outstanding common shares. Tontine Financial Partners, L.P. reported that it has shared voting power with respect to 294,327 common shares along with Tontine Management, L.L.C. and Jeffrey L. Gendell.

(3) As of December 31, 2022, 332,167 shares have been allocated to the accounts of participating employees and 14,100 shares were unallocated. The ESOP trustees vote all allocated shares in accordance with the instructions of the participating employees. Unallocated shares and shares for which no instructions have been received are voted by the trustees in accordance with the Plan document and applicable ERISA requirements. The Trustees disclaim beneficial ownership of the shares attributed to the Trustees in their capacity as Trustees of the ESOP.

The following table sets forth, as of February 28, 2023, the ownership of common stock by management of United Bancshares, including: (i) the common stock beneficially owned by each director, nominee for director and executive officer of United Bancshares; and (ii) the common stock beneficially owned by all officers, directors and nominees as a group. The number of shares listed for each person includes shares held in the name of spouses, minor children, certain relatives, trusts or estates whose share ownership under the beneficial ownership rules of the Securities and Exchange Commission (the "SEC") is to be aggregated with that of the director or officer whose share ownership is shown.

Name	**Position**	**Number of Shares of Common Stock Beneficially Owned**	**Percent of Common Stock Outstanding(1)**
Robert L. Benroth	Director	10,884(2)	0.35%
Denise E. Geisige	Secretary	955(3)	0.03%
Herbert H. Huffman	Director	34,433	1.10%
Klint D. Manz	Chief Financial Officer	1,938(4)	0.06%
H. Edward Rigel	Director	32,325(5)	1.03%
David P. Roach	Director	6,712	0.21%
Daniel W. Schutt	Director and Chairman	22,150	0.71%
R. Steven Unverferth	Director	5,532	0.18%
Brian D. Young	Director, President, and CEO	36,824(6)	1.17%
All directors, nominees, and officers as a group (9 persons)		151,753	4.84%

(1) Reflects percentage ownership of the respective individuals based on 3,135,843 common shares outstanding on February 28, 2023
(2) Includes 3,000 shares held jointly with Mr. Benroth's brother.
(3) Includes 384 shares allocated to Ms. Giesige under the Corporation's Employee Stock Ownership Plan.
(4) Includes 1,502 shares allocated to Mr. Manz under the Corporation's Employee Stock Ownership Plan.
(5) Includes 16,135 shares held in a trust of which Mr. Rigel is a co-trustee.
(6) Includes 29,984 shares allocated to Mr. Young under the Corporation's Employee Stock Ownership Plan.

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	143,178	$ 22.71	-
Equity compensation plans not approved by security holders	-	-	-
Total	143,178	$ 22.71	-

Item 13. Certain Relationships and Related Transactions, and Director Independence

In the ordinary course of conducting its business, the Corporation, for itself or through its bank subsidiary, may engage in transactions with the directors, employees, and managers of the Corporation or of the subsidiary which may include, but not be limited to, loans. As required by and in compliance with Ohio banking law, all banking transactions with directors, employees or managers of the Corporation are conducted on the same basis and terms as would be provided to any other bank customer and do not involve more than the normal risk of collectability or present any other unfavorable features.

Board of Directors Independence, Certain Relationships and Related Transactions

Each year, the Board of Directors reviews the relationships that each director has with the Corporation and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASDAQ Stock Market, LLC ("NASDAQ") Rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members' current and historic relationships with the Corporation and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Corporation; and the relationships between the Corporation and other companies of which the Corporation's Board members are directors or executive officers. After evaluating these factors, the Board of Directors has determined that all of the directors, with the exception of Brian D. Young, are independent directors of the Corporation within the meaning of applicable NASDAQ Rules.

Except for the general banking transactions described below, no Related Parties engaged in any transaction with the Corporation during 2021 in which the amount involved exceeded $120,000. In the ordinary course of conducting its business, United Bancshares, for itself or through its banking subsidiary, may engage in transactions with the employees, directors and managers of United Bancshares and The Union Bank Company which may include, but not be limited to, loans. The Corporation intends to continue to engage in the lending of money through its subsidiary bank to its related parties. All loans to such persons (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (iii) did not involve more than a normal risk of collectability or present other unfavorable features.

The Corporation's Amended Code of Ethics requires that all related party transactions be pre-approved by the Corporation's Audit Committee. Exemptions from that pre-approval requirement are routine banking transactions, including deposit and loan transactions, between our subsidiary and any related party that are made in compliance with, and subject to the approvals required by, all federal and state banking regulations. In making a determination to approve a related party transaction the Audit Committee will take into account, among other factors it deems appropriate, whether the proposed transaction is on terms no less favorable to the Company than those generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the proposed transaction.

To the knowledge of United Bancshares, no director, officer or affiliate of the Corporation, owner of record or beneficially of more than 5% of the Corporation's common stock, or any associate of any such director, officer, affiliate of the Corporation or security holder, is an adverse party to the Corporation or its subsidiary in any litigation matter or other claim or otherwise has a material interest that is adverse to the Corporation or its subsidiary. There are no family relationships among any of the directors, nominees for election as directors and executive officers of the Corporation. Nor has any director served in the prior five-year period on the board of directors of any other public company.

Item 14. Principal Accounting Fees and Services

INDEPENDENT PUBLIC ACCOUNTANTS

The principal accountant selected by the Board of Directors for the current year is CliftonLarsonAllen LLP, One Seagate Center, Suite 2650, Toledo, Ohio 43604. A representative of the principal accountant will be present at the Annual Meeting, will have the opportunity to make a statement if he/she desires to do so and will be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed by CliftonLarsonAllen LLP for professional services rendered for the annual audit of the Corporation's consolidated financial statements for the 2022 and 2021 fiscal years and the reviews of the consolidated financial statements included in the Corporation's Quarterly Reports on Form 10-Q were $254,779 in 2022 and $185,393 in 2021.

Audit-Related Fees

The aggregate fees billed by CliftonLarsonAllen LLP for assurance and related services that are reasonably related to the performance of the audit of the Corporation's financial statements and not reported under "Audit Fees" were $27,693 in 2022 and $21,600 in 2021. The services for the fees disclosed under this category relate to the audit of the Corporation's ESOP benefit plan in 2022 and 2021.

Tax Fees

There were no aggregate fees billed by CliftonLarsonAllen LLP for professional services rendered for tax services, including any tax compliance, tax advice, and tax planning in 2022 and 2021.

All Other Fees

There were no other fees billed by CliftonLarsonAllen, LLP in 2022 and 2021.

As required by the Sarbanes-Oxley Act of 2002, the Audit Committee is responsible for the approval of all audit and permitted non-audit services performed by the independent public accountants for the Corporation. The entire Audit Committee is responsible for deciding to engage its independent auditor, and determines whether to approve all audit and permitted non-audit services performed by the independent accountants. As such, no other pre-approval policies or procedures are currently in place. The Audit Committee approved 100% of the audit services performed by CliftonLarsonAllen LLP.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The following consolidated financial statements (and reports thereon) are set forth on pages 16 through 64 of the Corporation's 2022 Annual Report to Shareholders (Exhibit 13 to this Annual Report on Form 10-K) and are incorporated herein by reference:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets - December 31, 2022 and 2021
Consolidated Statements of Income - Years ended December 31, 2022, 2021, and 2020
Consolidated Statements of Comprehensive (Loss) Income - Years ended December 31, 2022, 2021, and 2020
Consolidated Statements of Shareholders' Equity - Years ended December 31, 2022, 2021, and 2020
Consolidated Statements of Cash Flows - Years ended December 31, 2022, 2021, and 2020
Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

Financial statement schedules have been omitted either because they are not applicable or because the required information is provided in the Consolidated Financial Statements, including the notes thereto.

(a)(3) Exhibits

The following exhibits are filed with or incorporated by reference (in accordance with Item 601 of SEC Regulation S-K) in this filing:

Exhibit No.		
3.1	Articles of Incorporation	(1)
3.2	Regulations	(1)
4	Description of Registrant's Common Stock	(6)
10.1	Preferred Trust Securities, Placement and Debenture agreements	(2)
10.2	Agreement – Brian D. Young	(3)
10.3	Salary Continuation Agreement - Brian D. Young	(6)
10.4	Salary Continuation Agreement – Heather M. Oatman	(4)
10.5	2016 Stock Option Plan	(5)
10.6	Form of Award Agreement under the 2016 Stock Option Plan	(6)
13	2022 Annual Report to Shareholders	
21	Subsidiaries	
23	Consent of Independent Registered Public Accounting Firm	
31.1	Rule 13a-14(a)/15d-14(a) CEO/Interim CFO's Certification	
31.2	Rule 13a-14(a)/15d-14(a) CEO/Interim CFO's Certification	
32.1	Section 1350 CEO/Interim CFO's Certification	
32.2	Section 1350 CEO/Interim CFO's Certification	
101.INS	Inline XBRL Instance Document (a)	
101.SCH	Inline XBRL Taxonomy Extension Schema	
101.CAL	Inline XBRL Taxonomy Extension Calculation	
101.DEF	Inline XBRL Taxonomy Extension Definition	
101.LAB	Inline XBRL Taxonomy Extension Label	
101.PRE	Inline XBRL Taxonomy Extension Presentation	
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)	

(1) Incorporated herein by reference to the Corporation's Form 10-Q for the quarter ended June 30, 2006.
(2) Incorporated herein by reference to the Corporation's Form 10-Q for the quarter ended June 30, 2007.
(3) Incorporated herein by reference to the Corporation’s Form 8-K filed July 20, 2006.
(4) Incorporated herein by reference to the Corporation’s Form 10-K filed March 20, 2009.
(5) Incorporated herein by reference to the Corporation's Definitive Proxy Statement pursuant to Section 14(a) filed March 23, 2016.
(6) Incorporated herein by reference to the Corporation's Form 10-K filed March 6, 2020.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 BANCSHARES, INC.

By: /s/ BRIAN D. YOUNG
Brian D. Young, Chief Executive Officer

By: /s/ Klint D. Manz
Klint D. Manz, Chief Financial Officer

Date: March 13, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ BRIAN D. YOUNG Brian D. Young	Director	March 13, 2023
/s/ HERBERT H. HUFFMAN Herbert H. Huffman	Director	March 13, 2023
/s/ H. EDWARD RIGEL H. Edward Rigel	Director	March 13, 2023
/s/ R. STEVEN UNVERFERTH R. Steven Unverferth	Director	March 13, 2023
/s/ ROBERT L. BENROTH Robert L. Benroth	Director	March 13, 2023
/s/ DAVID P. ROACH David P. Roach	Director	March 13, 2023
/s/ DANIEL W. SCHUTT Daniel W. Schutt	Director	March 13, 2023

Exhibit 13
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Shareholders, Clients, and Team Members:

I am pleased to report that, once again, your Company had a successful year. In addition to reporting income before taxes of approximately $12.5 million, return on average tangible equity of 17.70% and return on average assets of 1.06%, your Company continues to focus on serving our clients and communities. As a result of these successes, the Board of Directors declared a $0.22 per share dividend, payable March 15, 2023 to shareholders of record at the close of business on February 29, 2023. This is a 4.8% increase as compared to the fourth quarter of 2022. This declaration was the 13th increase in dividends since 2012.

During 2022 the banking industry faced record inflation, a dramatic decrease in residential mortgage activity, rapidly rising interest rates, and recession fears. The company adjusted to those factors by reducing staff, aggressively managing its balance sheet and controlling interest costs. As a result, excluding PPP fees, net interest income increased $4.4 million with 43 basis points increase in net margin, non-interest expenses decreased $2.6 million, and gross loan and deposit balances increased $74 million and $23 million, respectively during 2022.

The cumulative effect of those adjustments throughout the first three quarters of 2022 were evident by the company's reporting of $1.10 earnings per share in the fourth quarter ($.91 per share excluding the tax effected positive impact of $606,000 from the negative loan loss provision and offsetting increase in the unfunded commitment liability).

Additionally the rapid increase in interest rates has created a decline in the market value of our available for sale securities portfolio of $53.6 million, which has decreased your Company's tangible book value by $13.43 per share since December 31, 2021. While this decrease has no impact on regulatory capital, it has likely been a noticeable factor in the company's recent decrease in share price. Based on the Company's current alternative sources of liquidity, I believe it is very unlikely that those losses will be realized. As such, we remain focused on continuing to add value to our shareholders through core revenue growth, strong asset quality, and consistent dividends.

The Company also continues to make investments in technology to create internal efficiencies, reduce the risk of fraud, and enhance customer tools and resources. Such efforts have yielded positive results in our cost structure and in customers' use of technology-based products. We believe that effectively implementing technology will promote growth and support for our growing footprint and provide the opportunity to increase the effectiveness of our team members in serving our clients.

While the financial performance of your Company continues to be strong, we experienced an incredible and sudden loss of our long-time, beloved Board Secretary and Human Resource Manager, Heather Oatman. Heather was not only a trusted 25-year team member, but she was also a dear friend to so many on our team. While we will miss her immensely, her kindness, care, and love for others, will always be a part of each of us and as well as our entire organization.

Thank you for your ongoing support and the trust you have placed in us.

Respectfully,

Brian D. Young
President & CEO

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UNITED BANCSHARES, INC.

DESCRIPTION OF THE CORPORATION

United Bancshares, Inc., an Ohio corporation (the "Corporation"), is a financial holding company registered under the Bank Holding Company Act of 1956, as amended, and is subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Corporation was incorporated and organized in 1985. The executive offices of the Corporation are located at 105 Progressive Drive, Columbus Grove, Ohio 45830. Effective February 1, 2007, the Bank formed a wholly-owned subsidiary, UBC Investments, Inc. ("UBC") to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware. Effective, December 4, 2009, the Bank formed a wholly-owned subsidiary UBC Property, Inc. to hold and manage certain property that was acquired in lieu of foreclosure. At this time all other real estate owned property is being held at the Bank. Through its subsidiary, the Bank, the Corporation is engaged in the business of full-service community banking offering a full range of commercial and consumer banking services. Effective May 5, 2022, the Corporation formed a wholly-owned subsidiary, UBC Risk Management, Inc. (UBC Risk) which insures various liability and property damage policies for the Corporation and its related subsidiaries.

The Union Bank Company is an Ohio state-chartered bank, which serves Allen, Delaware, Franklin, Hancock, Huron, Marion, Paulding, Putnam, Sandusky, Van Wert, and Wood Counties, with office locations in Bowling Green, Columbus Grove, Delaware, Delphos, Findlay, Gahanna, Gibsonburg, Kalida, Leipsic, Lima, Marion, Marysville, Ottawa, Paulding, Pemberville, Plymouth, and Westerville, Ohio.

United Bancshares, Inc. has traded its common stock on the OTCQX Exchange under the symbol "UBOH" since August 2022. As of December 31, 2022, the common stock was held by 989 shareholders of record.

AVAILABILITY OF MORE INFORMATION

To obtain a copy, without charge, of the United Bancshares, Inc.'s annual report (Form 10-K) filed with the Securities and Exchange Commission, please write to:

Denise Giesige, Secretary
United Bancshares, Inc.
105 Progressive Drive
Columbus Grove, Ohio 45830
800-837-8111

UNITED BANCSHARES, INC.
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	(Dollars in thousands, except per share data) Years ended December 31,				
	2022	2021	2020	2019	2018
Statements of income:					
Total interest income	$ 38,942	$ 38,804	$ 40,030	$ 37,819	$ 34,365
Total interest expense	3,258	3,069	6,988	8,924	6,158
Net interest income	35,684	35,735	33,042	28,895	28,207
Provision (credit) for loan losses	(1,000)	300	6,200	550	450
Net interest income after provision (credit) for loan losses	36,684	35,435	26,842	28,345	27,757
Total non-interest income	9,954	17,346	27,000	15,048	9,428
Total non-interest expenses	34,114	36,706	37,165	31,117	27,436
Income before federal income taxes	12,524	16,075	16,677	12,276	9,749
Federal income taxes	1,214	2,494	2,922	1,615	1,529
Net income	$ 11,310	$ 13,581	$ 13,755	$ 10,661	$ 8,220
Per share of common stock:					
Net income - basic	$ 3.47	$ 4.14	$ 4.21	$ 3.26	$ 2.51
Dividends	0.84	0.73	0.51	0.52	0.48
Book value	$ 26.23	$ 36.34	$ 34.11	$ 29.00	$ 24.76
Average shares outstanding - basic	3,259,924	3,277,062	3,270,996	3,270,878	3,268,667
Average shares outstanding - diluted	3,264,632	3,338,151	3,306,503	3,277,198	3,269,834
Year end balances:					
Loans (1)	$ 687,545	$ 618,705	$ 652,530	$ 591,725	$ 569,319
Securities (2)	285,146	312,771	200,178	188,913	172,656
Total assets	1,087,293	1,076,556	978,532	880,014	830,300
Deposits	953,883	930,413	838,378	707,134	666,236
Shareholders' equity	82,691	119,095	111,599	94,781	80,944
Average balances:					
Loans (1)	637,326	632,829	663,097	582,377	540,687
Securities (2)	295,728	237,695	185,847	179,075	173,592
Total assets	1,072,002	1,046,350	967,828	861,693	802,989
Deposits	952,621	904,975	792,938	694,857	647,987
Shareholders' equity	92,471	114,981	101,631	86,652	76,142
Selected ratios:					
Net yield on average interest earning assets (3)	3.74%	3.76%	3.77%	3.75%	3.96%
Return on average assets	1.06%	1.30%	1.42%	1.24%	1.02%
Return on average shareholders' equity	12.23%	11.81%	13.53%	12.30%	10.80%
Net loan charge-offs (recoveries) as a percentage of average outstanding net loans	(0.01)%	(0.01)%	0.05%	(0.01)%	(0.04)%
Allowance for loan losses as a percentage of year end loans (4)	1.38%	1.70%	1.58%	0.72%	0.63%
Shareholders' equity as a percentage of total assets	7.61%	11.06%	11.40%	10.77%	9.75%

Notes:
1) Includes loans held for sale.
2) Includes restricted bank stock.
3) Net yield on average interest-earning assets was computed on a tax-equivalent basis.
4) Does not include loans held for sale

Forward-looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. From time to time, we have made or will make forward-looking statements within the meaning of the Act. These statements do not relate strictly to historical or current facts. Certain information, particularly information regarding future economic performance and finances and plans and objectives of management, contained or incorporated by reference in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, is forward-looking. Forward-looking statements usually can be identified by the use of words such as “goal,” “objective,” “outlook,” “plan,” “strategy,” “expect,” “anticipate,” “project,” “believe,” “estimate,” or other words of similar meaning, or by words or phrases indicating that an event or trend “may,” “should,” “will,” “is likely,” or that an event or trend is “probable” to occur or “continue,” has “begun,” “is scheduled,” or is “on track.” Forward-looking statements provide our current expectations or forecasts of future events, circumstances, results or aspirations. Our disclosures in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in our other documents filed with or furnished to the Securities and Exchange Commission (the “SEC”).

The following discussion provides additional information relating to the financial condition and results of operations of United Bancshares, Inc. This section should be read in conjunction with the consolidated financial statements and the supplemental data contained elsewhere in the Annual Report on Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

United Bancshares, Inc. (the "Corporation") is a financial holding company that conducts business through its wholly-owned subsidiaries, The Union Bank Company (the "Bank") and UBC Risk Management, Inc.

The Bank is an Ohio state-chartered commercial bank that provides financial services to communities based in northwest Ohio and central Ohio, where it operates 18 full-service branches and 3 loan production offices. As a commercial bank, the Bank concentrates its efforts on serving the financial needs of the businesses in and around the counties it serves. The Bank also provides financing to customers seeking to purchase or build their own homes. The Bank provides deposit, treasury management, wealth management, and other traditional banking products through its full-service branch office network and its electronic banking services.

UBC Risk Management, Inc. is a subsidiary of the Corporation and is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Corporation and its related subsidiaries.

Recent Developments

Growth in the U.S. economy slowed in 2022, compared to the higher rates of growth experienced in 2021, as pressures from higher inflation and rising energy prices as well as concerns over the Russia-Ukraine war and talks of recession resulted in U.S. Gross Domestic Product ("GDP") that shrank slightly in the first half of 2022, before rebounding somewhat in the third and fourth quarters. Despite the FRB's efforts to control inflation by raising short-term interest rates, it remains elevated, reflecting supply and demand imbalances related to the pandemic and higher energy prices as well as other broader price pressures, and exceeded an annual rate of 6.5% in 2022, well above the FRB's target inflation rate of 2%. In addition, the Russia-Ukraine war and related events are likely to create additional upward pressure on inflation and weigh on economic activity. Despite the fact that GDP declined slightly in the first and second quarters of 2022, before recovering slightly in the third and fourth quarters of 2022, the total unemployment rate has remained low, and was 3.5 percent at December 2022 compared with 3.9 percent at December 2021. The FRB increased short-term interest rates by 425 basis points in 2022 and has indicated that ongoing increases in short-term interest rates will continue in early 2023, or as long as necessary, to control the rate of inflation.

As a result of these uncertainties, our credit administration continues to closely monitor and analyze 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 Corporation's capital levels, prudent underwriting policies, loan concentration diversification and our geographic footprint, we are cautiously optimistic that the Corporation is positioned to continue managing the impact of the varied set of risks and uncertainties currently impacting our customer base and local economies. While we remain adequately capitalized, with strong levels of loan loss provisions, the Corporation may be required to make additional loan loss provisions, if warranted, by the extremely fluid global economic condition.

Cash and Cash equivalents

Cash and cash equivalents at December 31, 2022 were $30.7 million, a $44.5 million (59.2%) decrease from $75.2 million at December 31, 2021. The decrease is due to a decrease of overnight funds on deposit at the Federal Reserve and was used to fund loan growth.

Securities

Management monitors the earnings performance and liquidity of the securities portfolio on a regular basis through Asset/Liability Committee (ALCO) meetings. As a result, all securities, except Federal Home Loan Bank of Cincinnati (FHLB) stock, have been designated as available-for-sale and may be sold if needed for liquidity, asset-liability management, or other reasons. Such securities are reported at fair value, with any net unrealized gains or losses reported as a separate component of shareholders' equity, net of related income taxes. As of December 31, 2022, certain securities are in an unrealized loss position and this imposes some limitations on selling these securities for liquidity needs, as the unrealized loss would be recognized through income.

Securities, including FHLB stock, totaled $285.1 million at December 31, 2022 compared to $312.8 million at December 31, 2021, a decrease of $27.6 million (8.8%). Obligations of states and political subdivisions decreased $14.5 million (9.6%) despite purchases of $15.4 million due to an increase in the unrealized loss of $29.8 million. Mortgage-backed securities decreased $14.8 million (9.7%) despite purchases of $8.6 million due to an increase in the unrealized loss of $23.4 million. U.S. Government agencies increased $2.1 million (85.5%).

At December 31, 2022 the net unrealized loss on available-for-sale securities amounted to $48.6 million compared to an unrealized gain of $5.1 million at December 31, 2021, due to the rapid increases in interest rates during the year. At December 31, 2022, the Corporation held 386 securities which were in a loss position with the fair value of $265.6 million and gross unrealized losses of $48.7 million. Management has considered the access it has to alternative sources of liquidity, the current interest rate environment, the volatility in the bond market, and the Corporation's liquidity needs in the near term in concluding that the impairment on these securities is market driven, not credit related, and thus considered to be temporary.

The Corporation maintains a certain level of FHLB stock as a member of the FHLB of Cincinnati. FHLB stock is considered a restricted security which is carried at cost and evaluated periodically for impairment. There was $1,269,000 of FHLB stock redeemed during 2022.

At December 31, 2022, the Corporation's investment securities portfolio included $136.3 million in U.S. states and political subdivisions securities, which is $53.6 million (64.9%) higher than shareholders' equity as of that date. The largest exposure to any one state is $37.1 million, or 23%, from issuers located within the state of Texas. The Corporation's procedures for evaluating investments in securities issued by states, municipalities and political subdivisions are in accordance with guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance. Credit ratings are considered in our analysis only as a guide to the historical default rate associated with similarly rated bonds. There have been no significant differences in our internal analyses compared with the ratings assigned by the third-party credit rating agencies.

Loans

At December 31, 2022, gross loans, including loans held for sale, amounted to $687.5 million compared to $618.7 million at December 31, 2021, an increase of $68.8 million (11.1%). Commercial and multi-family real estate loans increased $65.8 million (16.3%), and residential real estate loans increased $17.2 million (15.3%). This growth was offset by decreases in commercial loans of $8.9 million (10.3%), loans held for sale of $5.2 million (56.6%) and consumer loans of $71,000 (1.3%). Loans originated through the PPP program are included in the Commercial segment and had an outstanding balance of $293,000 as of December 31, 2022 compared to $6.6 million at December 31, 2021.

Throughout the course of 2022, loan demand remained strong, particularly surrounding the development opportunities in the Columbus market. Some of this demand started to soften towards the end of 2022 with talks of recession and the impact of inflation outpacing the liquidity in the market place. Resulting uncertainties in economic conditions in our market areas may lead to reductions in the growth of our commercial and industrial, commercial real estate, residential real estate and consumer loan portfolios.

Deposits

Total deposits at December 31, 2022 were $953.9 million, an increase of $23.5 million (2.5%) compared with total deposits of $930.4 million at December 31, 2021. The increase in deposits consisted of an $20.6 million increase in non-interest bearing deposits and a $2.9 million increase in interest bearing deposits.

Other Borrowings

In addition to customer deposits, the Corporation utilizes other borrowings as an alternative source of funding, as necessary, to support asset growth. Other borrowings at December 31, 2022 consists of overnight borrowings from the Federal Home Loan Bank of $23.5 million, a federal funds line of credit from another bank of $31,000, a line of credit from another bank of $1,500,000, and a term borrowing from another bank of $6,000,000 payable in quarterly installments of $250,000 with any remaining principal due in December 2028. Other borrowings at December 31, 2021, included a federal funds line of credit from another bank of $12,000, and a term borrowing from another bank of $7,000,000. Management plans to maintain access to FHLB and other various borrowing alternatives as an appropriate funding source.

Shareholders' Equity

Total shareholders' equity decreased $36.4 million (30.6%) to $82.7 million at December 31, 2022 from $119.1 million at December 31, 2021. This was the result of an increase in unrealized losses on available for sale securities, net of tax of $42.4 million, share repurchases of $2.9 million and dividends paid of $2.7 million. These reductions in shareholders' equity were offset by net income of $11.3 million. The increase in unrealized losses on available for sale securities from December 31, 2021 to December 31, 2022 was attributable to the rapid increases in interest rates during the year.

Results of Operation – 2022 Compared to 2021

Performance Summary

Net income for the year ended December 31, 2022, totaled $11,310,000, or $3.47 basic earnings per share, compared to $13,581,000, or $4.14 basic earnings per share for the same period in 2021, a decrease of $2,271,000 (16.7%) or $0.67 per share. The decrease in operating results for the year ended December 31, 2022 as compared to December 31, 2021 was primarily attributable to a decrease in net interest income of $51,000 (0.1%) and a decrease in non-interest income of $7,392,000 (42.6%), offset by a decrease in non-interest expenses of $2,592,000 (7.1%), a decrease in the provision for loan losses of $1,300,000, and a decrease in the provision for income taxes of $1,280,000 (51.3%). The results for 2022 include an $802,000, or $0.25 basic earnings per share, increase in non-interest income due to BOLI death benefit payments.

The Corporation's return on average assets was 1.06% in 2022, compared to 1.29% in 2021. The Corporation's return on average tangible shareholders' equity was 17.70% in 2022, compared to 15.83% in 2021.

Net Interest Income

Net interest income is the amount by which income from interest-earning assets exceeds interest incurred on interest-bearing liabilities. Interest-earning assets consist principally of loans and investment securities while interest-bearing liabilities include interest-bearing deposit accounts and borrowed funds. Net interest income remains the primary source of revenue for the Corporation. Changes in market interest rates, as well as changes in the mix and volume of interest-bearing assets and interest-bearing liabilities impact net interest income. Net interest income was $35,684,000 in 2022, compared to $35,735,000 in 2021, a decrease of $51,000 (0.1%). Interest income in 2022 was $38,942,000, a decrease of $138,000 (0.4%) from $38,804,000 in 2021. Interest expense in 2022 was $3,258,000, an increase of $189,000 (6.2%) from $3,069,000 in 2021, due to rising interest rates in the latter half of 2022.

Loan interest income decreased $2,519,000, due primarily to a reduction in PPP loan fees of $4,415,000, offset by an increase in loan interest income of $1,896,000, which can be attributed to rising portfolio rates and strong loan growth. Investment portfolio income increased $2,014,000 due to increased volumes, and other interest income increased $643,000 due to higher interest rates on balances at the Federal Reserve.

The yield on average earning assets (on a taxable equivalent basis) remained steady at 4.08% in 2022 and 2021, despite the $4,415,000 decrease in PPP loan fee income due to a shifting mix of earning assets. The year-to-date average interest-bearing cash, securities, and loan balances were $46.5 million, $295.7 million, and $637.3 million in 2022, respectively compared to $98.9 million, $237.7 million and $632.8 million in 2021, respectively.

Deposit interest expense increased $41,000 and interest paid on borrowings increased $148,000 due to the increase in interest rates, which increased the cost of funds to 0.43% in 2022 compared to 0.42% in 2021. Management expects the cost of funds to continue to increase in 2023 as deposit offering rates for non-maturity and time deposits have increased with the market and competition.

Net interest margin is calculated by dividing net interest income (adjusted to reflect tax-exempt interest income on a taxable equivalent basis) by average interest-earning assets. The resulting percentage serves as a measurement for the Corporation in comparing its results with those of past periods as well as those of peer institutions. The net interest margin (on a taxable equivalent basis) was 3.74% for the year ended December 31, 2022, compared to 3.77% for the year ended December 31, 2021. This decrease can largely be attributed to PPP fee collected in the comparable periods in 2021. Loans comprised 69.8% of interest-earning assets at December 31, 2022 compared to 61.7% of interest-earning assets at December 31, 2021. Interest-bearing deposits comprised 97.4% of interest-bearing liabilities at December 31, 2022, compared to 97.2% for the same period in 2021.

Provision for Loan Losses and the Allowance for Loan Losses

The Corporation's loan policy provides guidelines for managing both credit risk and asset quality. The policy details acceptable lending practices, establishes loan-grading classifications, and prescribes the use of a loan review process. The Corporation has a credit administration department that performs regular credit file reviews which facilitate the timely identification of problem or potential problem credits, enable sound credit decisions, and assist in the determination of the allowance for loan losses. The Corporation also engages an outside credit review firm to supplement the credit analysis function and to provide an independent assessment of the loan review process. The loan policy, loan review process, and credit analysis function facilitate management's evaluation of the credit risk inherent in the lending function.

As mentioned, ongoing reviews are performed to identify potential problem and nonperforming loans and also provide in-depth analysis with respect to the quarterly allowance for loan losses calculation. Part of this analysis involves assessing the need for specific reserves relative to impaired loans. This evaluation typically includes a review of the recent performance history of the credit, a comparison of the estimated collateral value in relation to the outstanding loan balance, the overall financial strength of the borrower, industry risks pertinent to the borrower, and competitive trends that may influence the borrower's future financial performance. Loans are considered to be impaired when, based upon the most current information available, it appears probable that the borrower will not be able to make payments according to the contractual terms of the loan agreement. Impaired loans are recorded at the observable market price of the loan, the fair value of the underlying collateral (if the loan is collateral dependent), or the present value of the expected future cash flows discounted at the loan's effective interest rate. Given that the Corporation's impaired loans are typically collateralized by real estate or other borrower assets, the fair value of individual impaired loans is most often based upon the underlying collateral value net of estimated selling costs. Large groups of smaller balance homogenous loans are collectively evaluated for impairment.

To determine the allowance for loan losses, the Corporation prepares a detailed analysis that focuses on delinquency trends, the status of nonperforming loans (i.e., impaired, nonaccrual, restructured, and past due 90 days or more), current and historical trends of charged-off loans within each loan category (i.e., commercial, real estate, and consumer), existing local and national economic conditions, and changes within the volume and mix in each loan category. Higher loss rates are applied in calculating the allowance for loan losses relating to potential problem loans. Loss rates are periodically evaluated considering historic loss rates in the respective potential problem loan categories (i.e., special mention, substandard, doubtful) and current trends.

Regular provisions are made in amounts sufficient to maintain the balance in the allowance for loan losses at a level considered by management to be adequate for losses within the portfolio. Even though management uses all available information to assess possible loan losses, future additions or reductions to the allowance may be required as changes occur in economic conditions and specific borrower circumstances. The regulatory agencies that periodically review the Corporation's allowance for loan losses may also require additions to the allowance or the charge-off of specific loans based upon the information available to them at the time of their examinations.

The allowance for loan losses at December 31, 2022 was $9.4 million, or 1.38% of total loans, compared to $10.4 million, or 1.70% of total loans at December 31, 2021. The change in the allowance for loan losses during 2022 included a negative provision for loan losses of $1,000,000 and net recoveries of $46,000.

The provision for loan losses is determined by management after considering the amount of net losses incurred as well as management's estimation of losses inherent in the portfolio based on an evaluation of loan portfolio risk and current economic factors. Settlements of impaired or potential problem loans can also result in an increase or reduction in the required allowance for loan losses and a negative provision, or credit, being reflected in current operations. The negative provision for loan losses of $1,000,000 in 2022 was a $1.3 million decrease compared to the provision expense of $300,000 in 2021. The decrease in the provision for loan losses is a result of the continued waning impact of COVID related concerns, as well as the current status of the Bank's loan portfolio.

Impaired loans, principally consisting of commercial and commercial real estate, amounted to $1,604,000, all with no specific reserve, at December 31, 2022. Total impaired loans were $1,948,000 at December 31, 2021, also, all with no specific reserve.

In addition to impaired loans, the Corporation had other potential problem credits of $8.2 million at December 31, 2022 compared to $24.7 million at December 31, 2021, a decrease of $16.6 million (67.2%) due mainly to payoffs. The Corporation's credit administration department continues to closely monitor these credits.

Non-Interest Income

Total non-interest income decreased $7,392,000 (42.6%) to $9,954,000 in 2022 from $17,346,000 in 2021, which was primarily attributable to decreases in gain on sale of loans of $11,598,000 (86.1%), offset by an increase in other operating income of $3,256,000 (154.5%), an increase in BOLI income of $764,000, an increase in service charges of $142,000, and an increase in the fair value of mortgage servicing rights of $142,000.

Significant recurring components of non-interest income include service charges on deposit accounts, secondary market lending activities, and increases in the cash surrender value of life insurance.

Service charges on deposit accounts were $1.2 million in 2022 compared to $1.1 million in 2021.

The Corporation has elected to sell in the secondary market substantially all fixed rate residential real estate loans originated and retains the servicing rights relating to certain of those loans. During 2022, gain on sale of loans was $1,870,000, including $258,000 of capitalized servicing rights. Gain on sale of loans was $13,468,000 in 2021, including $628,000 of capitalized servicing rights. The significant decrease in gain on sale of loans was attributable to decreased loan origination and sales activities within the residential mortgage and governmental lending operations along with a decrease in the average gain on sale per loan. For the year ended December 31, 2022, there were $173.3 million in loans originated and sold compared to $359.4 million in 2021. The net gain on sale was 0.85% in 2022 compared to 3.58% in 2021.

The Corporation's serviced portfolio decreased $836,000 during 2022 to $263.4 million at December 31, 2022. The Corporation reports its mortgage servicing rights using the fair value measurement method. As a result, the Corporation recognized a $437,000 increase in the fair value of mortgage servicing rights during 2022, compared to a $295,000 increase in the fair value of mortgage servicing rights in 2021. Prepayment assumptions are a key valuation input used in determining the fair value of mortgage servicing rights. While prepayment assumptions are constantly subject to change, such changes typically occur within a relatively small parameter from period to period. The prepayment assumptions used in determining the fair value of servicing are based on the Public Securities Association (PSA) Standard Prepayment Model. At December 31, 2022 the PSA factor was 114 compared to 180 at December 31, 2021.

Cash surrender value of life insurance increased $764,000 in 2022 to $1,166,000 compared to $402,000 in 2021 due to $802,000 received in BOLI death benefit payments.

Other operating income increased $3,256,000 to $5,363,000 in 2022 from $2,107,000 in 2021. The increase in other non-interest income resulted from increases in the Corporation's loan hedging program of $3,139,000. The increase in loan hedging income is designed to offset the lower net gain on sales of loan yields experienced in 2022.

Non-Interest Expenses

Non-interest expenses were $34,114,000 for the year ended December 31, 2022, compared to $36,706,000 for the same period in 2021, a decrease of $2,592,000. The decrease in non-interest expenses was primarily attributable to decreases in salaries and benefits of $2,249,000 (10.9%), a result of lower mortgage loan commissions, loan origination expenses of $599,000 (39.7%), advertising and promotional expense of $552,000 (24.8%), and fixed asset depreciation of $187,000 (10.8%). These decreases in expense were offset by increases in the unfunded commitment reserve of $157,000, equipment service expense of $150,000 (13.3%), travel and entertainment expense of $115,000 (110.4%), asset management legal expense of $103,000 (198.1%), ATM/debit card processing expense of $90,000 (10.7%), and exam and auditing expense of $86,000 (13.8%).

The significant components of other operating expenses are summarized in Note 10 to the consolidated financial statements.

Provision for Income Taxes

The provision for income taxes for 2022 was $1,214,000, an effective tax rate of 9.7%, compared to $2,494,000 in 2021, an effective rate of 15.5%. The decrease in the effective tax rate is largely due to tax-exempt securities and the BOLI death benefit payment comprising 35.9% of pre-tax income in 2022 compared to 19.3% in 2021.

Results of Operation – 2021 Compared to 2020

For a discussion of our results of operations for 2021 versus 2020, see "Part II, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K filed with the SEC on March 4, 2022, which information is incorporated by reference to the 2021 UBOH Annual Report to Shareholders filed as Exhibit 13 thereto.

Liquidity

Liquidity relates primarily to the Corporation's ability to fund loan demand, meet the withdrawal requirements of deposit customers, and provide for operating expenses. Assets used to satisfy these needs consist of cash and due from banks, federal funds sold, securities available-for-sale, and loans held for sale. A large portion of liquidity is provided by the ability to sell or pledge securities. Accordingly, the Corporation has designated all securities other than FHLB stock as available-for-sale. A secondary source of liquidity is provided by access to FHLB advances, various lines of credit facilities available through correspondent banks and the Federal Reserve. Another source of liquidity is represented by loans that are available to be sold. Certain other loans within the Corporation's loan portfolio are also available to collateralize borrowings.

The consolidated statements of cash flows for the years presented provide an indication of the Corporation's sources and uses of cash as well as an indication of the ability of the Corporation to maintain an adequate level of liquidity. A discussion of cash flows for 2022, 2021, and 2020 follows.

The Corporation generated cash from operating activities of $16.8 million in 2022, $26.4 million in 2021, and $17.2 million in 2020.

Net cash flows used in investing activities amounted to $103.0 million in 2022, $96.5 million in 2021, and $65.1 million in 2020. Significant investing cash flow activities in 2022 included $28.3 million of net cash outflows resulting from securities purchases, net of proceeds received from sales and maturities and $73.8 million of net cash outflows to fund net loan growth. Significant investing cash flow activities in 2021 included $118.2 million of net cash outflows resulting from securities purchases, net of proceeds received from sales and maturities and $25.1 million of net cash inflows due to a decrease in loan balances. Significant investing cash flow activities in 2020 included $6.0 million of net cash outflows resulting from securities purchases, net of proceeds received from sales and maturities and $57.3 million of net cash outflow to fund net loan growth.

Net cash flows provided by financing activities amounted to $41.7 million in 2022, $88.2 million in 2021, and $78.5 million in 2020. Net cash provided by financing activities in 2022 primarily resulted from an increase in deposits of $23.5 million and $25.0 million in other borrowings offset by $2,876,000 to purchase treasury shares and $2,747,000 in cash dividends paid. Net cash provided by financing activities in 2021 primarily resulted from an increase in deposits of $92.1 million offset by $2,394,000 in cash dividends paid. Net cash provided by financing activities in 2020 primarily resulted from an increase in deposits of $131.3 million offset by payments on other borrowings of $51.0 million, and by $1,668,000 in cash dividends paid.

Asset Liability Management

Closely related to liquidity management is the management of interest-earning assets and interest-bearing liabilities. The Corporation manages its rate sensitivity position to avoid wide swings in net interest margins and to minimize risk due to changes in interest rates.

The difference between a financial institution's interest rate sensitive assets (assets that will mature or reprice within a specific time period) and interest rate sensitive liabilities (liabilities that will mature or reprice within the same time period) is commonly referred to as its "interest rate sensitivity gap" or, simply, its "gap". An institution having more interest rate sensitive assets than interest rate sensitive liabilities within a given time interval is said to have a "positive gap". This generally means that, when interest rates increase, an institution's net interest income will increase and, when interest rates decrease, the institution's net interest income will decrease. An institution having more interest rate sensitive liabilities than interest rate sensitive assets within a given time interval is said to have a "negative gap". This generally means that, when interest rates increase, the institution's net interest income will decrease and, when interest rates decrease, the institution's net interest income will increase. The Corporation's one year cumulative gap (ratio of risk-sensitive assets to risk-sensitive liabilities) at December 31, 2022 is approximately 155% which means the Corporation has more assets than liabilities re-pricing within one year. Due to the makeup of the Corporation's deposit base, the Corporation's liabilities do not have the ability to reprice down the full 100 bps which is why the margin decreases in a 100 bps down shock scenario. This is quantified in the earnings sensitivity to market rates table in the Quantitative and Qualitative Disclosures about Market Risk.

Effects of Inflation

The assets and liabilities of the Corporation are primarily monetary in nature and are more directly affected by fluctuations in interest rates than inflation. Movement in interest rates is a result of the perceived changes in inflation as well as monetary and fiscal policies. Interest rates and inflation do not necessarily move with the same velocity or within the same period; therefore, a direct relationship to the inflation rate cannot be shown. The financial information presented in the Corporation's consolidated financial statements has been presented in accordance with accounting principles generally accepted in the United States, which require that the Corporation measure financial position and operating results primarily in terms of historical dollars. We expect that interest rates will continue to increase with the Federal Reserve focusing its concerns on reducing inflation. Persistent inflation could have a material adverse impact on us, and/or our customers.

Significant Accounting Policies

The Corporation's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the commercial banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements. These estimates, assumptions, and judgments are based upon the information available as of the date of the financial statements.

The Corporation's most significant accounting policies are presented in Note 1 to the consolidated financial statements. These policies, along with other disclosures presented in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis, provide information about how significant assets and liabilities are valued in the financial statements and how those values are determined. Management has identified the determination of the allowance for loan losses, valuation of goodwill and mortgage servicing rights, and fair value of securities and other financial instruments as the areas that require the most subjective and complex estimates, assumptions and judgments and, as such, could be the most subjective to revision as new information becomes available.

The allowance for loan losses is based on periodic analysis of the loan portfolio and is maintained at an amount considered to be appropriate by management to provide for probable losses inherent in the loan portfolio as of the balance sheet dates. In this analysis, management considers factors including, but not limited to, specific occurrences of loan impairment, actual and anticipated changes in the size of the portfolios, national, regional and local economic conditions such as unemployment data, loan delinquencies, demand for single family homes, demand for commercial real estate and building lots, loan portfolio composition, historical loss experience and observations made by the Company's ongoing internal audit and regulatory exam processes. Loans are charged off to the extent they are deemed to be uncollectible. The Company has established separate processes to determine the appropriateness of the loan loss allowance for its homogeneous and non-homogeneous loan portfolios. The determination of the allowance on the homogeneous single family and consumer loan portfolios is calculated on a pooled basis with individual determination of the allowance for all non-performing loans. The determination of the allowance for the non-homogeneous commercial, commercial real estate and multi-family loan portfolios involves assigning standardized risk ratings and loss factors that are periodically reviewed. The loss factors are estimated based on the Company's own loss experience and other qualitative factors and are assigned to all loans without identified credit weaknesses. For each non-performing loan, the Company also performs an individual analysis of impairment that is based on the expected cash flows or the value of the assets collateralizing the loans and establishes any necessary reserves or charges off all loans, or portions thereof, that are deemed uncollectible.

The appropriateness of the allowance for loan losses is dependent upon management's estimates of variables affecting valuation, appraisals of collateral, evaluations of performance and status and the amounts and timing of future cash flows expected to be received on impaired loans. Such estimates, appraisals, evaluations and cash flows may be subject to adjustments due to changing economic prospects of borrowers or properties. The fair market value of collateral dependent loans is typically based on the appraised value of the property less estimated selling costs. The estimates are reviewed periodically and any adjustments are recorded in the provision for loan losses in the periods in which the adjustments become known. Because of the size of some loans, changes in estimates can have a significant impact on the loan loss provision. The allowance is allocated to individual loan categories based upon the relative risk characteristics of the loan portfolios, the actual loss experience and other qualitative factors. The Company increases its allowance for loan losses by charging the provision for loan losses against income and by receiving recoveries of previously charged off loans. The Company decreases its allowance by crediting the provision for loan losses and recording loan charge-offs. The current year activity resulted in a decrease in the allowance and a credit to the loan loss provision. The methodology for establishing the allowance for loan losses takes into consideration probable losses that have been identified in connection with specific loans as well as losses in the loan portfolio that have not been specifically identified. Although management believes that based on current conditions the allowance for loan losses is maintained at an appropriate amount to provide for probable loan losses inherent in the portfolio as of the balance sheet dates, future conditions may differ substantially from those anticipated in determining the allowance for loan losses and adjustments may be required in the future. In addition, the Company will be required to adopt Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* in the first quarter of 2023. See "*Note 1 - New Accounting Pronouncements*" in the Notes to Consolidated Financial Statements for further information on the potential impact of adopting ASU 2016-13.

Management considers the valuation of goodwill from various past acquisitions through an annual impairment test which considers, among other things, the assets and equity of the Corporation as well as price multiples for sales transactions involving other local financial institutions. Management engaged an independent valuation specialist to perform a goodwill impairment evaluation as of September 30, 2022, which supported management's assessment that no impairment adjustments to goodwill were warranted. To date, none of the goodwill evaluations have revealed the need for an impairment charge. Management does not believe that any significant conditions have changed relating to the goodwill assessment through December 31, 2022.

The Company's mortgage servicing rights relating to loans serviced for others represent an asset of the Company. This asset is initially capitalized and included on the Company's consolidated balance sheet. The mortgage servicing rights are then amortized as non-interest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage servicing rights. There are a number of factors, however, that can affect the ultimate value of the mortgage servicing rights to the Company, including the estimated prepayment speed of the loan and the discount rate used to present value the servicing right. For example, if the mortgage loan is prepaid, the Company will receive fewer servicing fees, meaning that the present value of the mortgage servicing rights is less than the carrying value of those rights on the Company's balance sheet. Therefore, in an attempt to reflect an accurate expected value to the Company of the mortgage servicing rights, the Company receives a valuation of its mortgage servicing rights from an independent third party. The independent third party's valuation of the mortgage servicing rights is based on relevant characteristics of the Company's loan servicing portfolio, such as loan terms, interest rates and recent national prepayment experience, as well as current national market interest rate levels, market forecasts and other economic conditions. Management, with the advice from its third-party valuation firm, review the assumptions related to prepayment speeds, discount rates, and capitalized mortgage servicing income on a quarterly basis. In addition, based upon the independent third party's valuation of the Company's mortgage servicing rights, management then establishes a valuation allowance, if necessary, to quantify the likely impairment of the value of the mortgage servicing rights to the Company. The estimates of prepayment speeds and discount rates are inherently uncertain, and different estimates could have a material impact on the Company's net income and results of operations. The valuation allowance is evaluated and adjusted quarterly by management to reflect changes in the fair value of the underlying mortgage servicing rights based on market conditions.

The Corporation reviews securities prices and fair value estimates of other financial instruments supplied by an independent pricing service, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Corporation's securities portfolio primarily consists of U.S. Government agencies, and political subdivision obligations, and mortgage-backed securities. Pricing for such instruments is typically based on models with observable inputs. From time to time, the Corporation will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from other third-party sources or derived using internal models. The Corporation also considers the reasonableness of inputs for financial instruments that are priced using unobservable inputs.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal and state income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax assets and liabilities.

The Company maintains significant net deferred tax assets for deductible temporary differences, the largest of which relates to the allowance for loan losses. For tax purposes only the net charge-offs are deductible while the entire provision for loan losses is used to determine book income. A deferred tax asset is created because of the timing difference of when the expense is recognized for book and tax purposes. Under GAAP, a valuation allowance is required to be recognized if it is "more likely than not" that the deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon management's judgment and evaluation of both positive and negative evidence, including the forecasts of future income, tax planning strategies, and assessments of the current and future economic and business conditions. The positive evidence considered includes the Company's cumulative net income in the prior three-year period, the ability to implement tax planning strategies to accelerate taxable income recognition, and the probability that taxable income will be generated in future periods. The Company could not currently identify any negative evidence. It is possible that future conditions may differ substantially from those anticipated in determining that no valuation allowance was required on deferred tax assets and adjustments may be required in the future.

Determining the ultimate settlement of any tax position requires significant estimates and judgments in arriving at the amount of tax benefits to be recognized in the financial statements. It is possible that the tax benefits realized upon the ultimate resolution of a tax position may result in tax benefits that are significantly different from those estimated.

Impact of Recent Accounting Pronouncements

A summary of new accounting standards adopted or subject to adoption in 2022, as well as newly issued but not effective accounting standards at December 31, 2022, is presented in Note 2 to the consolidated financial statements.

Off-Balance Sheet Arrangements, Contractual Obligations, and Contingent Liabilities and Commitments

The following table summarizes loan commitments, including letters of credit, as of December 31, 2022:

	Amount of commitment to expire per period				
	Total Amount	Less than 1 year	1 - 3 years	4 - 5 years	Over 5 years
			(in thousands)		
Type of Commitment					
Commercial lines-of-credit	$ 70,603	$ 62,219	$ 7,697	-	$ 687
Real estate lines-of-credit	133,951	9,563	9,587	16,501	98,300
Consumer lines-of-credit	365	-	-	-	365
Letters of Credit	319	319	-	-	-
Total commitments	$ 205,238	$ 72,101	$ 17,284	$ 16,501	$ 99,352

As indicated in the preceding table, the Corporation had $205.2 million in total loan commitments at December 31, 2022, with $72.1 million of that amount expiring within one year. All lines-of-credit represent either fee-paid or legally binding loan commitments for the loan categories noted. Letters-of-credit are also included in the amounts noted in the table since the Corporation requires that each letter-of-credit be supported by a loan agreement. The commercial and consumer lines represent both unsecured and secured obligations. The real estate lines are secured by mortgages in residential and nonresidential property. Many of the commercial lines are due on a demand basis and are established for seasonal operating purposes. It is anticipated that a significant portion of these lines will expire without being drawn upon.

Off-Balance Sheet Arrangements, Contractual Obligations, and Contingent Liabilities and Commitments – Continued

The following table summarizes the Corporation's contractual obligations as of December 31, 2022:

	Payments due by period				
	Total Amount	Less than 1 year	1 - 3 years	4 - 5 Years	Over 5 years
			(in thousands)		
Contractual obligations					
Long-term debt	$ 19,009	$ 1,000	$ 2,000	$ 2,000	$ 14,009
Federal Funds Purchased and other borrowings	25,079	25,079	-	-	-
Operating leases	1,689	263	508	168	750
Time deposits	125,777	75,725	47,250	2,659	143
Deposits without stated maturities	801,217	-	-	-	801,217
Future deferred compensation payments, including interest	909	69	138	138	564
Total obligations	$ 973,680	$ 102,136	$ 49,896	$ 4,965	$ 816,683

Long-term debt presented in the preceding table consists of a term borrowing from another bank of $6,000,000 and $13.0 million of junior subordinated deferrable interest debentures, including $10.3 million issued by the Corporation and $2.7 million assumed from the November 2014 OSB acquisition.

Federal funds purchased and other borrowings consist of overnight borrowings from the Federal Home Loan Bank of $23.5 million, a federal funds line of credit from another bank of $31,000, a line of credit from another bank of $1,500,000.

Time deposits and deposits without stated maturities included in the preceding table are comprised of customer deposit accounts. Management believes that they have the ability to attract and retain deposit balances by adjusting the interest rates offered.

The future deferred compensation payments, including interest, is a deferred compensation liability assumed with The OSB acquisition for the benefit of its retired president, with payment that began on May 1, 2010. At December 31, 2022, the net present value of future deferred compensation payments amounted to $886,000, which is included in other liabilities in the December 31, 2022 consolidated balance sheet.

As indicated in the table, the Corporation had no capital lease obligations as of December 31, 2022. The Corporation also has a non-qualified deferred compensation plan covering certain directors and officers, and has provided an estimated liability of $1,577,000 at December 31, 2022 for supplemental retirement benefits.

Quantitative and Qualitative Disclosures about Market Risk

The most significant market risk to which the Corporation is exposed is interest rate risk. The business of the Corporation and the composition of its balance sheet consist of investments in interest-earning assets (primarily loans and securities), which are funded by interest bearing liabilities (deposits and borrowings). These financial instruments have varying levels of sensitivity to changes in the market rates of interest, resulting in market risk. None of the Corporation's financial instruments are held for trading purposes.

The Corporation manages interest rate risk regularly through its Asset Liability Committee. The Committee meets on a regular basis and reviews various asset and liability management information, including but not limited to, the Corporation's liquidity positions, projected sources and uses of funds, interest rate risk positions and economic conditions.

The Corporation monitors its interest rate risk through a sensitivity analysis, whereby it measures potential changes in its future earnings and the fair values of its financial instruments that may result from one or more hypothetical changes in interest rates. This analysis is performed by estimating the expected cash flows of the Corporation's financial instruments using interest rates in effect at year-end. For the fair value estimates, the cash flows are then discounted to year-end to arrive at an estimated present value of the Corporation's financial instruments. Hypothetical changes in interest rates are then applied to the financial instruments, and the cash flows and fair values are again estimated using these hypothetical rates. For the net interest income estimates, the hypothetical rates are applied to the financial instruments based on the assumed cash flows. The Corporation applies these interest rate "shocks" to its financial instruments up and down 100, 200 and 300 and up 400 basis points.

Quantitative and Qualitative Disclosures about Market Risk - Continued

The following table shows the Corporation’s estimated earnings sensitivity profile as of December 31, 2022:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income	Percentage Change in Net Income
+100	-2.7%	-10.1%
-100	0.1%	2.2%
+200	-5.5%	-20.9%
-200	-1.8%	-2.7
+300	-8.4%	-31.6%
-300	-6.1%	-15.9%

Given a linear 100bp increase in the yield curve used in the simulation model, it is estimated that net interest income for the Corporation would decrease by 2.7% and net income would decrease by 0.1%. A 100bp decrease in interest rates would increase net interest income by 0.1% and increase net income by 2.2%. Given a linear 200bp increase in the yield curve used in the simulation model, it is estimated that net interest income for the Corporation would decrease by 5.5% and net income would decrease by 20.9%. A 200bp decrease in interest rates would decrease net interest income by 1.8% and decrease net income by 2.7%. Given a linear 300bp increase in the yield curve used in the simulation model, it is estimated that net interest income for the Corporation would decrease by 8.4% and net income would decrease by 31.6%. A 300bp decrease in interest rates would decrease net interest income by 6.1% and net income would decrease by 15.9%. The anticipated increase in interest rates will negatively impact the Company's Net Interest Income and Net Income in 2023 assuming that no action to the balance sheet is taken.

CliftonLarsonAllen LLP
CLAconnect.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
United Bancshares, Inc.
Columbus Grove, Ohio

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of United Bancshares, Inc. and subsidiaries (the Corporation) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the PCAOB. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Shareholders and Board of Directors
United Bancshares, Inc.

Critical Audit Matters

The critical audit matter communicated below arose from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan and Lease Losses
As described in Notes 1 and 4 to the consolidated financial statements, the Corporation's allowance for loan and lease losses was $9,401,000 as of December 31, 2022, consisting of two components (i) specific reserves of zero based on probable losses on impaired loans, and (ii) general reserves of $9,401,000 based on historical loan loss experience, general economic conditions, and other qualitative risk factors both internal and external to the Corporation. Management estimates the allowance based on loan losses believed to be inherent in the Corporation's loan portfolio, segmented by product type and risk classification, as of the balance sheet date.

The Corporation's allowance for loan and lease losses consists of general reserves which management develops based on historical loss experience adjusted for qualitative factors not reflected in the historical loss experience, as well as specific reserves based on management's identification of impaired loans. Historical loss ratios are an annualized rate based on the previous 12 quarters of loss experience.

Management considers several qualitative factors, both internal and external to the Corporation, including management and staff; loan underwriting, policy and procedures; internal/external audit and loan review; macro and local economic factors; impact of competition, legal and regulatory issues; nature and volume of the loan portfolio; concentration of credit risk; net charge-off trends and non-accrual, past due and classified trends when determining the general reserve. The adjustment for qualitative factors requires a significant amount of judgement by management and involves a high degree of estimation.

The qualitative adjustment contributed significantly to the general reserve component of the allowance for loan and lease losses. Management's identification and analysis of these considerations and related adjustments requires significant judgment and could have a significant effect on the allowance for loan and lease losses. We identified the qualitative factor component of the allowance for loan losses as a critical audit matter as auditing the underlying qualitative factors required significant auditor judgment as amounts determined by management rely on analysis that is highly subjective and includes significant estimation uncertainty.

Shareholders and Board of Directors
United Bancshares, Inc.

The primary procedures we performed to address this critical audit matter, including evaluating management's judgments and assumptions for developing the general reserve qualitative adjustments for the allowance for loan losses, consisted of the following:

- We obtained an understanding of the Corporation's process for establishing the allowance for loan and lease losses, including the qualitative factors used in estimating the allowance for loan and lease losses.

- Evaluating the completeness and accuracy of data inputs used as a basis for the adjustments relating to qualitative general reserve factors and considering whether the sources of data and factors that management used in forming the assumptions are relevant, reliable, and sufficient for the purpose based on the information gathered.

- Evaluating the reasonableness of management's judgments related to the qualitative and quantitative assessment of the data used in the determination of the general reserve qualitative adjustments for consistency with each other, the supporting data, relevant historical data, and industry data.

- Assessing whether historical data is comparable and consistent with data of the current year and considering whether the data is sufficiently reliable. Among other procedures, our evaluation considered evidence from internal and external sources, loan portfolio performance and whether such assumptions were applied consistently period to period.

- Analytically evaluating the qualitative adjustment in the current year compared to prior year for directional consistency and reasonableness.

- Testing the calculations used by management to translate the assumptions and key factors into the calculation.

/s/ CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

We have served as the Corporation's auditor since 2000.

Toledo, Ohio
March 13, 2023

UNITED BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

	(in thousands except share data) 2022	2021
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 20,756	$ 11,654
Interest-bearing deposits in other banks	9,924	63,548
Total cash and cash equivalents	30,680	75,202
SECURITIES, available-for-sale	281,286	307,642
FEDERAL HOME LOAN BANK STOCK, at cost	3,860	5,129
LOANS HELD FOR SALE	3,970	9,146
LOANS AND LEASES	683,575	609,559
Less allowance for loan and lease losses	9,401	10,355
Net loans and leases	674,174	599,204
PREMISES AND EQUIPMENT, net	24,147	21,840
GOODWILL	28,616	28,616
CORE DEPOSIT INTANGIBLE ASSETS, net	359	499
CASH SURRENDER VALUE OF LIFE INSURANCE	19,207	19,383
OTHER ASSETS, including accrued interest receivable	20,994	9,895
TOTAL ASSETS	$ 1,087,293	$ 1,076,556
LIABILITIES AND SHAREHOLDERS’ EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 215,966	$ 195,374
Interest-bearing	737,917	735,039
Total deposits	953,883	930,413
Federal funds purchased and other borrowings	31,079	7,012
Junior subordinated deferrable interest debentures	13,009	12,976
Other liabilities	6,631	7,060
Total liabilities	1,004,602	957,461
SHAREHOLDERS’ EQUITY		
Common stock, stated value $1.00, 10,000,000 shares authorized; 3,817,237 and 3,793,881 shares issued; 3,153,368 and 3,272,585 shares outstanding at December 31, 2022 and December 31, 2021, respectively.	3,817	3,794
Surplus	17,045	16,305
Retained earnings	112,466	103,903
Accumulated other comprehensive (loss) income	(38,366)	3,993
Treasury stock, at cost, 663,869 shares at December 31, 2022 and 521,296 shares at December 31, 2021	(12,271)	(8,900)
Total shareholders’ equity	82,691	119,095
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,087,293	$ 1,076,556

The accompanying notes are an integral part of the consolidated financial statements.

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2022, 2021 and 2020

	(in thousands except share data)		
	Year Ended December 31,		
	2022	**2021**	**2020**
INTEREST INCOME			
Loans and leases, including fees	$ 31,201	$ 33,720	$ 35,696
Securities:			
Taxable	3,137	1,977	1,938
Tax-exempt	3,710	2,856	2,137
Other	894	251	259
Total interest income	38,942	38,804	40,030
INTEREST EXPENSE			
Deposits	2,322	2,281	3,998
Borrowings	936	788	2,990
Total interest expense	3,258	3,069	6,988
Net interest income	35,684	35,735	33,042
PROVISION FOR LOAN AND LEASE LOSSES	(1,000)	300	6,200
Net interest income after provision for loan and lease losses	36,684	35,435	26,842
NON-INTEREST INCOME			
Service charges on deposit accounts	1,232	1,090	1,102
Gain on sale of loans	1,870	13,468	24,139
Net securities gains (losses)	(114)	(16)	289
Change in fair value of mortgage servicing rights	437	295	(293)
Increase in cash surrender value of life insurance and death benefits received	1,166	402	368
Other operating income	5,363	2,107	1,395
Total non-interest income	9,954	17,346	27,000
NON-INTEREST EXPENSES			
Salaries, wages and employee benefits	18,452	20,702	22,127
Occupancy expenses	4,436	4,485	3,630
Other operating expenses	11,226	11,519	11,408
Total non-interest expenses	34,114	36,706	37,165
Income before income taxes	12,524	16,075	16,677
PROVISION FOR INCOME TAXES	1,214	2,494	2,922
NET INCOME	$ 11,310	$ 13,581	$ 13,755
NET INCOME PER SHARE BASIC	$ 3.47	$ 4.14	$ 4.21
NET INCOME PER SHARE DILUTED	$ 3.46	$ 4.07	$ 4.16

The accompanying notes are an integral part of the consolidated financial statements.

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Years Ended December 31, 2022, 2021 and 2020

	(in thousands)		
	Year Ended December 31,		
	2022	**2021**	**2020**
NET INCOME	$ 11,310	$ 13,581	$ 13,755
OTHER COMPREHENSIVE (LOSS) INCOME			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains during period	(53,733)	(4,272)	5,964
Reclassification adjustments for losses (gains) included in net income	114	16	(289)
Other comprehensive (loss) income, before income taxes	(53,619)	(4,256)	5,675
Income tax (benefit) expense related to items of other comprehensive (loss) income	(11,260)	(894)	1,192
Other comprehensive (loss) income	(42,359)	(3,362)	4,483
COMPREHENSIVE (LOSS) INCOME	$ (31,049)	$ 10,219	$ 18,238

The accompanying notes are an integral part of the consolidated financial statements.

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2022, 2021 and 2020

(in thousands)

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
BALANCE AT DECEMBER 31, 2019	$ 3,761	$ 15,251	$ 80,629	$ 2,872	$ (7,732)	$ 94,781
Comprehensive income:						
Net income	-	-	13,755	-	-	13,755
Other comprehensive income	-	-	-	4,483	-	4,483
Shares cancelled under stock option plan	-	(11)	-	-	-	(11)
Sale of 3,889 treasury shares	-	34	-	-	61	95
Stock option expense	-	164	-			164
Cash dividends declared, $0.51 per share	-	-	(1,668)	-	-	(1,668)
BALANCE AT DECEMBER 31, 2020	3,761	15,438	92,716	7,355	(7,671)	111,599
Comprehensive income:						
Net income	-	-	13,581	-	-	13,581
Other comprehensive loss	-	-	-	(3,362)	-	(3,362)
Repurchase of 11,651 shares	-	-	-	-	(368)	(368)
Sale of 12,252 treasury shares	-	50	-	-	193	243
Stock Option Exercise, net of 33,324 shares repurchased	33	634	-	-	(1,054)	(387)
Stock option expense	-	183	-			183
Cash dividends declared, $0.73 per share	-	-	(2,394)	-	-	(2,394)
BALANCE AT DECEMBER 31, 2021	3,794	16,305	103,903	3,993	(8,900)	119,095
Comprehensive loss:						
Net income	-	-	11,310	-	-	11,310
Other comprehensive loss	-	-	-	(42,359)	-	(42,359)
Repurchase of 130,553 shares	-	-	-	-	(2,876)	(2,876)
Sale of 9,185 treasury shares	-	68	-	-	175	243
Stock Option Exercise, net of 21,205 shares repurchased	23	450	-	-	(670)	(197)
Stock option expense	-	222	-			222
Cash dividends declared, $0.84 per share	-	-	(2,747)	-	-	(2,747)
BALANCE AT DECEMBER 31, 2022	$ 3,817	$ 17,045	$ 112,466	$ (38,366)	$ (12,271)	$ 82,691

The accompanying notes are an integral part of the consolidated financial statements.

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022, 2021 and 2020

	(in thousands)		
	Years Ended December 31,		
	2022	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 11,310	$ 13,581	$ 13,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,612	1,543	1,499
Purchase accounting loan discount accretion	(191)	(533)	(720)
Deferred income taxes	1,619	1,380	(795)
Provision for loan losses	(1,000)	300	6,200
Gain on sale of loans	(1,870)	(13,468)	(24,139)
Net securities losses (gains)	114	16	(289)
Change in fair value of mortgage servicing rights	(437)	(295)	293
Increase in cash surrender value of life insurance and death benefits received	(1,166)	(402)	(368)
Net amortization of security premiums and discounts	905	832	954
Stock option expense	222	183	164
Deferred compensation expense	227	200	251
Loss on sale or write-down of premises and equipment	21	255	-
Proceeds from sale of loans held for sale	202,840	452,533	657,116
Originations of loans held for sale	(196,051)	(430,412)	(636,792)
Increase (decrease) in other assets	(956)	1,558	(1,248)
Increase (decrease) in other liabilities	(421)	(833)	1,336
Net cash provided by operating activities	$ 16,778	$ 26,438	$ 17,217
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of available-for-sale securities	-	-	15,538
Proceeds from maturities of available-for-sale securities, including paydowns on mortgage-backed securities	23,293	34,378	41,639
Purchases of available-for-sale securities	(51,575)	(152,544)	(63,136)
Purchases of FHLB stock	-	-	(296)
Proceeds from redemption of FHLB stock	1,269	469	-
Net (increase) decrease in loans and leases	(73,779)	25,138	(57,296)
Bank owned life insurance premium	1,342	-	-
Purchases of premises and equipment	(3,578)	(3,958)	(1,580)
Net cash used in investing activities	(103,028)	(96,517)	(65,131)

Continued

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2022, 2021 and 2020

	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	$ 23,473	$ 92,061	$ 131,285
Other borrowings:			
Net increase in fed funds purchased	19	12	-
Proceeds from other borrowings	25,048	7,000	-
Principal payments on other borrowings	(1,000)	(7,750)	(51,000)
Purchase of treasury shares	(2,876)	(368)	-
Proceeds from sale of treasury shares	243	243	95
Payments of deferred compensation	(235)	(170)	(165)
Cash paid for cancellation of stock options	-	-	(11)
Cash paid for net shares repurchased from stock option exercise	(197)	(387)	-
Cash dividends paid	(2,747)	(2,394)	(1,668)
Net cash provided by financing activities	41,728	88,247	78,536
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,522)	18,168	30,622
CASH AND CASH EQUIVALENTS			
At beginning of year	75,202	57,034	26,412
At end of year	$ 30,680	$ 75,202	$ 57,034
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Cash paid during the year for:			
Interest	$ 3,171	$ 3,165	$ 7,299
Federal income taxes	-	$ 2,370	$ 4,050
Non-cash operating activity:			
Change in deferred income taxes on net unrealized gain or loss on available-for-sale securities	$ 11,260	$ 894	$ (1,192)
Non-cash investing activities:			
Non-cash investing and financing activity:			
Recognition of right-of-use lease asset (other assets) and lease liability (other liabilities)	$ -	$ -	$ 7
Change in net unrealized gain or loss on available-for-sale securities	$ (53,619)	$ (4,256)	$ 5,675

The accompanying notes are an integral part of the consolidated financial statements.

UNITED BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Bancshares, Inc. (the "Corporation") was incorporated in 1985 in the state of Ohio as a single-bank holding company for The Union Bank Company (the "Bank") and UBC Risk Management. The Bank has formed a wholly-owned subsidiary, UBC Investments, Inc. ("UBC") to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware. The Bank has also formed a wholly-owned subsidiary, UBC Property, Inc. to hold and manage certain property that is acquired in lieu of foreclosure.

The Corporation, through its wholly-owned subsidiary, the Bank, is a full service community bank offering a full range of commercial and consumer banking services. The Bank, organized in 1904 as an Ohio-chartered bank, is headquartered in Columbus Grove, Ohio, with branch offices in Bowling Green, Delaware, Delphos, Findlay, Gahanna, Gibsonburg, Kalida, Leipsic, Lima, Marion, Ottawa, Paulding, Pemberville, Plymouth and Westerville, Ohio.

The primary source of revenue of the Corporation is providing loans to customers primarily located in Northwestern and West Central Ohio. Such customers are predominately small and middle-market businesses and individuals.

UBC Risk Management, Inc. is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Corporation and its subsidiaries.

Significant accounting policies followed by the Corporation are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates. The estimates most susceptible to significant change in the near term include the determination of the allowance for loan losses, valuation of securities, deferred tax assets, and goodwill.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, the Bank, and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold which mature overnight or within four days.

Securities and Federal Home Loan Bank Stock

The Corporation has designated all securities as available-for-sale. Such securities are recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as accumulated other comprehensive (loss) income.

The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. For debt securities purchased at a premium, the amortization period is shortened to the earliest call date. Declines in fair value of securities below their cost that are deemed to be other-than-temporary are reflected in income as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the intent to sell the securities and the more likely than not requirement that the Corporation will be required to sell the securities prior to recovery, (2) the length of time and the extent to which the fair value has been less than cost, and (3) the financial condition and near-term prospects of the issuer. Gains and losses on the sale of securities are recorded on the trade date, using the specific identification method, and are included in non-interest income.

Investment in Federal Home Loan Bank of Cincinnati stock is classified as a restricted security, carried at cost, and evaluated for impairment.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the estimated fair value in the aggregate. Estimated fair value is determined based on quoted market prices in the secondary market. Any net unrealized losses are recognized through a valuation allowance by charges to income. The Corporation had no unrealized losses at December 31, 2022 and 2021.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are generally stated at its outstanding principal amount adjusted for charge-offs and the allowance for loan losses. Interest is accrued as earned based upon the daily outstanding principal balance. Loan origination fees and certain direct obligation costs are capitalized and recognized as an adjustment of the yield of the related loan.

The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged-off no later than when they become 150 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. 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.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses (“allowance”) 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 is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of 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. Due to potential changes in conditions, it is at least reasonably possible that changes in estimates will occur in the near term and that such changes could be material to the amounts reported in the Corporation’s consolidated financial statements.

The allowance consists of specific, general and unallocated components. The specific component relates to impaired loans when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying value of that loan or lease. The general component covers classified loans (substandard or special mention) without specific reserves, as well as non-classified loans, and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management’s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan or lease is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan or lease 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. 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 or lease 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 individually for commercial 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.

Under certain circumstances, the Corporation will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Corporation, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures.

Acquired Loans

Purchased loans acquired in a business combination are segregated into three types: pass rated loans with no discount attributable to credit quality, non-impaired loans with a discount attributable at least in part to credit quality and impaired loans with evidence of significant credit deterioration.

- Pass rated loans (typically performing loans) are accounted for in accordance with ASC 310-20 "Nonrefundable Fees and Other Costs" as these loans do not have evidence of credit deterioration since origination.

- Non-impaired loans (typically past-due loans, special mention loans and performing substandard loans) are accounted for in accordance with ASC 310-30 "Receivables - Loans and Debt Securities Acquired with Deteriorated Credit Quality" as they display at least some level of credit deterioration since origination.

- Impaired loans (typically substandard loans on non-accrual status) are accounted for in accordance with ASC 310-30 as they display significant credit deterioration since origination.

In accordance with ASC 310-30, for both purchased non-impaired loans and purchased impaired loans, the difference between contractually required payments at acquisition and the cash flows expected to be collected is referred to as the non-accretable difference. This amount is not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining estimated life. Decreases in expected cash flows are recognized immediately as impairment. If the Corporation does not have the information necessary to reasonably estimate cash flows to be expected, it may use the cost recovery method or cash basis method of income recognition. Valuation allowances on these impaired loans reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received).

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value, less estimated cost to sell, at the date of foreclosure, establishing a new cost basis with loan balances in excess of fair value charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and subsequent valuation adjustments are included in other operating expenses.

Loan Sales and Servicing

Certain mortgage loans are sold with mortgage servicing rights retained or released by the Corporation. The value of mortgage loans sold with servicing rights retained is reduced by the cost allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. The Corporation generally estimates fair value for servicing rights based on the present value of future expected cash flows, using management's best estimates of the key assumptions – credit losses, prepayment speeds, servicing costs, earnings rate, and discount rates commensurate with the risks involved. Capitalized servicing rights are reported at fair value and changes in fair value are reported in net income for the period the change occurs. Servicing fee income is recorded for servicing loans, based on a contractual percentage of the outstanding principal, and is reported as other operating income. Amortization of mortgage servicing rights is charged against loan servicing fee income.

Premises and Equipment

Premises and equipment is stated at cost, less accumulated depreciation. Upon the sale or disposition of the assets, the difference between the depreciated cost and proceeds is charged or credited to income. Depreciation is determined based on the estimated useful lives of the individual assets (typically 20 to 40 years for buildings and 3 to 10 years for equipment) and is computed primarily using the straight-line method.

Premises and equipment is reviewed for impairment when events indicate the carrying amount may not be recoverable from future undiscounted cash flows. If impaired, premises and equipment is recorded at fair value and any corresponding write-downs are charged against current year earnings.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Corporation has entered into commitments to extend credit, including commitments under commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded. The Corporation maintains a separate allowance for off-balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The allowance for off-balance sheet commitments is included in other liabilities.

Goodwill and Core Deposit Intangible Assets

Goodwill arising from acquisitions is not amortized, but is subject to an annual impairment test to determine if an impairment loss has occurred. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions, and selecting an appropriate control premium. At December 31, 2022, the Corporation believes the Bank does not have any indicators of potential impairment based on the estimated fair value of its reporting unit.

The core deposit intangible asset resulting from the November 2014 Ohio State Bank ("OSB") acquisition was determined to have a definite life and is being amortized on a straight-line basis over ten years through October 2024. The core deposit intangible asset resulting from the September 2017 Benchmark acquisition was also determined to have a definite life and is being amortized on an accelerated basis over ten years through 2027. Amortization of core deposit intangible assets amounted to $140,000, $143,000 and $151,000 for the years ended December 31, 2022, 2021 and 2020. Future amortization of core deposit intangible assets for the years 2023 thru 2027 are $139,000, $121,000, $38,000, $37,000,and $24,000 respectively.

Supplemental Retirement Benefits

Annual provisions are made for the estimated liability for accumulated supplemental retirement benefits under agreements with certain officers and directors. These provisions are determined based on the terms of the agreements, as well as certain assumptions, including estimated service periods and discount rates.

Advertising Costs

All advertising costs are expensed as incurred.

Income Taxes

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and its tax bases. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

Benefits from tax positions taken or expected to be taken in a tax return are not recognized if the likelihood that the tax position would be sustained upon examination by a taxing authority is considered to be 50% or less. The Corporation has adopted the policy of classifying any interest and penalties resulting from the filing of its income tax returns in the provision for income taxes.

The Corporation is not currently subject to state or local income taxes.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Comprehensive (Loss) Income

Recognized revenue, expenses, gains and losses are included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive (loss) income.

Per Share Data

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued.

The weighted average number of shares used for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Basic	3,259,952	3,277,062	3,270,996
Diluted	3,264,661	3,338,151	3,306,503

Dividends per share are based on the number of shares outstanding at the declaration date.

Derivative Financial Instruments

The price risk related to changes in the fair value of interest rate lock commitments (IRLCs) and mortgage loans held for sale not committed to investors are subject to change primarily due to changes in market interest rates. The Corporation is exposed to this interest rate risk for IRLCs and mortgage loans held for sale originated until those loans are sold in the secondary market. The Corporation manages the interest rate and price risk associated with its outstanding IRLCs and mortgage loans held for sale not committed to investors by entering into derivative instruments such as forward loan sales commitments and mandatory delivery commitments. Management expects these derivative instruments will experience changes in fair value opposite to changes in the fair value of the IRLCs and mortgage loans held for sale not committed to investors, thereby reducing earnings volatility. Best effort sale commitments are also executed for certain loans at the time the IRLC is locked with the borrower. The fair value of the best effort IRLC and mortgage loans held for sale are valued using the commitment price to the investor.

The Corporation started hedging in May of 2018 and takes into account various factors and strategies in determining the portion of the IRLCs and mortgage loans held for sale to be economically hedged. FASB ASC 815-25, *Derivatives and Hedging*, requires that all derivative instruments be recognized as assets or liabilities on the balance sheets at their estimated fair value. Changes in the fair value of the derivative instruments are recognized in gain on sale of loans in the statements of operations in the period in which they occur. The Corporation accounts for all derivative instruments as free-standing derivative instruments and does not designate any for hedge accounting. The Corporation recognized a net gain from hedging activity of $1,814,000 for the year ended December 31, 2022 and net losses from hedging activity of $1,325,000 for the year ended December 31, 2021, and $1,532,000 for the year ended December 31, 2020, which are included in gain on sale of loans in the consolidated statements of income. A net hedging asset of $305,000 as of December 31, 2022 and $876,000 as of December 31, 2021 was included in other assets in the consolidated balance sheets.

Fair Values of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully discussed in Note 17. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were issued. Events or transactions occurring after December 31, 2022, but prior to when the consolidated financial statements were issued, that provided additional evidence about conditions that existed at December 31, 2022, have been recognized in the financial statements for the year ended December 31, 2022. Events or transactions that provided evidence about conditions that did not exist at December 31, 2022 but arose before the financial statements were issued, have not been recognized in the consolidated financial statements for the year ended December 31, 2022.

On January 19, 2023, United Bancshares, Inc. issued a release announcing that its Board of Directors approved a cash dividend of $0.22 per common share payable March 15, 2023 to shareholders of record at the close of business on February 28, 2023.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies, this update was to be effective for interim and annual periods beginning after December 15, 2019. On July 17, 2019, the FASB voted to issue a proposal for public comment that would potentially result in a postponement of the required implementation date for ASU 2016-13. On October 16, 2019, the FASB extended the implementation deadline until the fiscal year and interim periods beginning after December 15, 2022.

The Company adopted the guidance on January 1, 2023 through a one-time cumulative-effect adjustment to retained earnings. The Company has disaggregated its loan portfolio into segments of like kind loans with additional disaggregation based on risk level of the loans. Models have been chosen to be applied to loan segments based on factors such as life of the loan segment and loan payment types. The Company has engaged an independent third party to validate the model, methodologies, and compliance with the regulation, which will be completed during the first quarter of 2023. Qualitative factors have also been included to capture inherent risks that are not included within the quantitative model. At adoption, the Company did not have any securities classified as HTM debt securities. No allowance was recorded related to AFS debt securities at the date of adoption, January 1, 2023.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), which provides optional guidance for a limited period of time to ease the potential burden in accounting for reference rate reform on financial reporting. The amendments in this Update provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2024. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, which is in response to stakeholder concerns related to reference rate reform. The amendments in this Update are elective and apply to all entities that have derivative instruments that use an interest rate for managing, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments in this Update are effective immediately for all entities. The Corporation is currently reviewing the amendments in this Update, but does not expect this guidance to have a material impact on its consolidated financial statements.

NOTE 3 – SECURITIES

The amortized cost, unrealized gains and losses on securities, and fair value of securities as of December 31, 2022 and 2021 are as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
2022		(In Thousands)		
Available-for-sale:				
Obligations of states and political subdivisions	$ 161,128	$ 157	$ 24,956	$ 136,329
Mortgage-backed	161,162	1	23,371	137,792
U.S. Government agencies	5,000	-	395	4,605
Other	2,560	-	-	2,560
Total	$ 329,850	$ 158	$ 48,722	$ 281,286
2021		(In Thousands)		
Available-for-sale:				
Obligations of states and political subdivisions	$ 145,775	$ 5,494	$ 485	$ 150,784
Mortgage-backed	152,507	1,248	1,185	152,570
U.S. Government agencies	2,500	-	17	2,483
Other	1,805	-	-	1,805
Total	$ 302,587	$ 6,742	$ 1,687	$ 307,642

The amortized cost and fair value of securities at December 31, 2022, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	(in thousands) Amortized Cost	Fair value
Due in one year or less	$ 1,673	$ 1,669
Due after one year through five years	8,965	8,934
Due after five years through ten years	26,890	25,585
Due after ten years	289,762	242,538
Other securities having no maturity date	2,560	2,560
Total	$ 329,850	$ 281,286

Securities with a carrying value of $42.9 million at December 31, 2022 and $34.0 million at December 31, 2021 were pledged to secure public deposits and for other purposes as required or permitted by law.

The following table presents gross unrealized losses and fair value of debt securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021:

	(in thousands)					
	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
2022	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Total Fair value
Obligations of states and political subdivisions	$ 14,051	$ 95,233	$ 10,095	$ 28,058	$ 24,956	$ 123,291
Mortgage-backed	6,580	59,163	16,791	78,523	23,371	137,686
U.S. Government agencies	65	2,435	330	2,170	395	4,605
Other	-	-	-	-	-	-
Total temporarily impaired securities	$ 20,696	$ 156,831	$ 28,026	$ 108,751	$ 48,722	$ 265,582

	Less than 12 months		12 months or more		Total	
2021	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Total Fair value
Obligations of states and political subdivisions	$ 485	$ 38,544	$ 90	$ 1,805	$ 575	$ 40,349
Mortgage-backed	1,095	101,651	-	-	1,095	101,651
	17	2,483	-	-	17	2,483
Other	-	-	-	-	-	-
Total temporarily impaired securities	$ 1,597	$ 142,678	$ 90	$ 1,805	$ 1,687	$ 144,483

There were 386 securities in an unrealized loss position at December 31, 2022, 113 of which was in a continuous unrealized loss position for 12 months or more. There were 114 securities in an unrealized loss position at December 31, 2021, 1 of which was in a continuous unrealized loss position for 12 months or more. Management has considered industry analyst reports, whether downgrades by bond rating agencies have occurred, sector credit reports, issuer's financial condition and prospects, the Corporation's ability and intent to hold securities to maturity, and volatility in the bond market, in concluding that the unrealized losses as of December 31, 2022 were primarily the result of fluctuations in the bond market related primarily to changes in market interest rates. As a result, all security impairments as of December 31, 2022 are considered to be temporary.

Gross realized losses from sale of securities, including securities calls, amounted to $114,000 in 2022 with a related income tax effect of $24,000, and $16,000 in 2021 with related income tax effect of $3,000. There were no gross realized losses from sale of securities in 2020. There were no gross realized gains from sale of securities in 2022 or 2021. Gross realized gains from sale of securities, including securities calls, amounted to $289,000 in 2020, with the income tax provision applicable to such gains amounting to $61,000 in 2020.

NOTE 4 – LOANS

Loans receivable at December 31, 2022 and 2021 consist of the following:

	2022	2021
Residential 1-4 family real estate	$ 129,383	$ 112,196
Commercial and multi-family real estate	470,768	404,964
Commercial	77,930	86,834
Consumer	5,494	5,565
Total loans and leases	$ 683,575	$ 609,559

Fixed rate loans approximated $192,220,000at December 31, 2022 and $172,238,000 at December 31, 2021.

Most of the Corporation's lending activities are with customers located in Northwestern and Central Ohio. The Corporation has identified lending for income-generating rental properties as an industry concentration. Total loans for income-generating rental property totaled $322.2 million at December 31, 2022 representing 47.1% of total loans.

The Corporation originates 1-4 family real estate and consumer loans utilizing credit reports to supplement the underwriting process. The Corporation's underwriting standards for 1-4 family loans are generally in accordance with the Federal Home Loan Mortgage Corporation (FHLMC) manual underwriting guidelines. Properties securing 1-4 family real estate loans are appraised by fee appraisers, which are independent of the loan origination function and have been approved by the Board of Directors and the Loan Policy Committee. The loan-to-value ratios normally do not exceed 80% without credit enhancements such as mortgage insurance. The Corporation will lend up to 100% of the lesser of the appraised value or purchase price for conventional 1-4 family real estate loans, provided private mortgage insurance is obtained. The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. To monitor and manage loan risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, market conditions are reviewed by management on a regular basis. The Corporation's 1-4 family real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural real estate loans are subject to underwriting standards and processes similar to commercial and agricultural operating loans, in addition to those unique to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial and agricultural 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. Loan to value is generally 75% of the cost or appraised value of the assets. Appraisals on properties securing these loans are generally performed by fee appraisers approved by the Board of Directors. Because payments on commercial and agricultural real estate loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. Management monitors and evaluates commercial and agricultural real estate loans based on cash flows, collateral and risk rating criteria. The Corporation may require guarantees on these loans. The Corporation's commercial and agricultural real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural operating loans are underwritten based on the Corporation's examination of current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. This underwriting includes the evaluation of cash flows of the borrower, underlying collateral, if applicable and the borrower's ability to manage its business activities. The cash flows of borrowers and the collateral securing these loans may fluctuate in value after the initial evaluation. A first priority lien on the general assets of the business normally secures these types of loans. Loan to value limits vary and are dependent upon the nature and type of the underlying collateral and the financial strength of the borrower. Crop and/or hail insurance may be required for agricultural borrowers. Loans are generally guaranteed by the principal(s). The Corporation's commercial and agricultural operating lending is primarily in its primary market area.

The Corporation maintains an internal audit department that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management and the audit committee. The internal audit process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Corporation's policies and procedures.

The following tables present the activity in the allowance for loan and lease losses by portfolio segment for the years ended December 31, 2022, 2021 and 2020:

(in thousands)

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Balance at December 31, 2021	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355
Provision for loan and lease losses	(137)	(558)	(280)	(25)	(1,000)
Losses charged off	-	-	-	(1)	(1)
Recoveries	41	3	-	3	47
Balance at December 31, 2022	$ 1,623	$ 6,566	$ 1,134	$ 78	$ 9,401

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Balance at December 31, 2020	$ 1,683	$ 6,664	$ 1,515	$ 132	$ 9,994
Provision for loan and lease losses	1	426	(102)	(25)	300
Losses charged off	-	(01)	-	(10)	(11)
Recoveries	35	32	1	4	72
Balance at December 31, 2021	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Balance at December 31, 2019	$ 592	$ 2,536	$ 939	$ 64	$ 4,131
Provision for loan and lease losses	1,310	4,224	566	100	6,200
Losses charged off	(228)	(125)	(4)	(33)	(390)
Recoveries	9	29	14	1	53
Balance at December 31, 2020	$ 1,683	$ 6,664	$ 1,515	$ 132	$ 9,994

The following tables present the balance in the allowance for loan and lease losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022 and 2021:

(in thousands)

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
2022					
Allowance for loan and lease losses:					
Attributable to loans and leases individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,623	6,566	1,134	78	9,401
Total allowance for loan and lease losses	$ 1,623	$ 6,566	$ 1,134	$ 78	$ 9,401
Loans and leases:					
Individually evaluated for impairment	$ 35	$ 505	$ 1,099	$ -	$ 1,639
Acquired with deteriorated credit quality	73	51	-	-	124
Collectively evaluated for impairment	129,275	470,212	76,831	5,494	681,812
Total ending loans and leases balance	$ 129,383	$ 470,768	$ 77,930	$ 5,494	$ 683,575

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
2021					
Allowance for loan and lease losses:					
Attributable to loans and leases individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,719	7,121	1,414	101	10,355
Total allowance for loan and lease losses	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355
Loans and leases:					
Individually evaluated for impairment	$ -	$ 676	$ 1,272	$ -	$ 1,948
Acquired with deteriorated credit quality	76	96	-	-	172
Collectively evaluated for impairment	112,120	404,192	85,562	5,565	607,439
Total ending loans and leases balance	$ 112,196	$ 404,964	$ 86,834	$ 5,565	$ 609,559

The following is a summary of the activity in the allowance for loan and lease losses of impaired loans, which is a part of the Corporation's overall allowance for loan and lease losses for the years ended December 31, 2022, 2021 and 2020:

(in thousands)

	2022	2021	2020
Balance at beginning of year	$ -	$ 255	$ 435
Provision (credit) for loan and lease losses	-	(255)	(180)
Loans charged off	-	-	-
Recoveries	-	-	-
Balance at end of year	$ -	$ -	$ 255

The average balance of impaired loans (excluding loans acquired with deteriorated credit quality) amounted to $1,578,000, $2,558,000 and $2,788,000 during 2022, 2021 and 2020, respectively. Interest income on impaired loans was $103,000 in 2022, $167,000 in 2021, and $43,000 in 2020.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022 and 2021:

	(in thousands)			
	2022		2021	
	Recorded investment	Allowance for loan and lease losses allocated	Recorded investment	Allowance for loan and lease losses allocated
With no related allowance recorded:				
Residential 1-4 family real estate	$ 35	$ -	$ -	$ -
Commercial and multi-family real estate	500	-	668	-
Agricultural real estate	5	-	8	-
Commercial	1,099	-	1,272	-
Agriculture	-	-	-	-
Consumer	-	-	-	-
With an allowance recorded:				
Residential 1-4 family real estate	-	-	-	-
Commercial and multi-family real estate	-	-	-	-
Agricultural real estate	-	-	-	-
Commercial	-	-	-	-
Agriculture	-	-	-	-
Consumer	-	-	-	-
Total	$ 1,639	$ -	$ 1,948	-

The following table presents the recorded investment in nonaccrual loans, loans past due over 90 days still on accrual and troubled debt restructurings by class of loans as of December 31, 2022 and 2021:

(in thousands)

	2022			2021		
	Nonaccrual	Loans and leases past due over 90 days still accruing	Accruing Troubled Debt Restructurings	Nonaccrual	Loans and leases past due over 90 days still accruing	Accruing Troubled Debt Restructurings
Residential 1-4 family real estate	$ 156	$ 58	$ 122	$ 184	-	$ 139
Commercial and multi-family real estate	353	-	7	136	-	14
Agricultural real estate	-	-	-	-	-	-
Commercial	467	-	632	-	-	767
Agriculture	-	-	-	-	-	-
Consumer	-			-		
Total	$ 976	$ 58	$ 761	$ 320	-	$ 920

The nonaccrual balances in the table above include troubled debt restructurings that have been classified as nonaccrual.

The following table presents the aging of the recorded investment in past due loans as of December 31, 2022 and 2021 by class of loans:

(in thousands)

	30 – 59 days past due	60 – 89 days past due	Greater than 90 days past due	Total past due	Loans and leases not past due	Total
2022						
Residential 1-4 family real estate	$ 1,146	-	$ 93	$ 1,239	$ 128,144	$ 129,383
Commercial and multi-family real estate	103	-	234	337	414,294	414,631
Agricultural real estate	6	-	-	6	56,131	56,137
Commercial	86	-	467	553	68,494	69,047
Agriculture	-	-	-	-	8,883	8,883
Consumer	-	-		-	5,494	5,494
Total	$ 1,341	-	$ 794	$ 2,135	$ 681,440	$ 683,575

	30 – 59 days past due	60 – 89 days past due	Greater than 90 days past due	Total past due	Loans and leases not past due	Total
2021						
Residential 1-4 family real estate	$ 425	-	$ 48	$ 473	$ 111,723	$ 112,196
Commercial and multi-family real estate	153	-	2	155	351,824	351,979
Agricultural real estate	-	-	-	-	52,985	52,985
Commercial	1,170	1,082	-	2,252	76,071	78,323
Agriculture	-	-	-	-	8,511	8,511
Consumer	5	-		5	5,560	5,565
Total	$ 1,753	$ 1,082	$ 50	$ 2,885	$ 606,674	$ 609,559

Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to the credit risk. This analysis generally includes non-homogenous loans, such as commercial and commercial real estate loans. The Corporation uses the following definitions for risk ratings for adverse classified loans:

- **Pass:** Loans not meeting the previous criteria that are analyzed individually as part of the above-described process are considered to be pass rated loans.
- **Special Mention:** Loans which possess some credit deficiency or potential weakness which deserves close attention, but which do not yet warrant substandard classification. Such loans pose unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future. The key distinctions of a Special Mention classification are that (1) it is indicative of an unwarranted level of risk, and (2) weaknesses are considered "potential", versus "defined", impairments to the primary source of loan repayment.
- **Substandard:** These loans are inadequately protected by the current sound net worth and paying ability of the borrower. Loans of this type will generally display negative financial trends such as poor or negative net worth, earnings or cash flow. These loans may also have historic and/or severe delinquency problems, and Corporation management may depend on secondary repayment sources to liquidate these loans. The Corporation could sustain some degree of loss in these loans if the weaknesses remain uncorrected.
- **Doubtful:** Loans in this category display a high degree of loss, although the amount of actual loss at the time of classification is undeterminable. This should be a temporary category until such time that actual loss can be identified, or improvements made to reduce the seriousness of the classification.

The following table provides a summary of the loan portfolio risk grades, as applicable, based on the most recent analysis performed, as of December 31, 2022 and 2021.

(in thousands)

	Pass	Special Mention	Substandard	Doubtful	Not rated	Total
2022						
Residential 1 - 4 family	$ 2,306	$ -	$ -	$ -	$ 127,077	$ 129,383
Commercial and multi- family real estate	465,361	646	4,717	-	44	470,768
Commercial	73,604	528	3,505	-	293	77,930
Consumer	-	-	-	-	5,494	5,494
Total	$ 541,271	$ 1,174	$ 8,222	$ -	$ 132,908	$ 683,575

	Pass	Special Mention	Substandard	Doubtful	Not rated	Total
2021						
Residential 1 - 4 family	$ 2,479	$ -	$ -	$ -	$ 109,717	$ 112,196
Commercial and multi- family real estate	380,936	10,080	13,823	-	125	404,964
Commercial	77,772	228	2,272	-	6,562	86,834
Consumer	-	-	-	-	5,565	5,565
Total	$ 461,187	$ 10,308	$ 16,095	$ -	$ 121,969	$ 609,559

The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan and lease losses. For all loan classes that are not rated, the Corporation also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. Generally, all loans not rated that are 90 days past due or are classified as nonaccrual and collectively evaluated for impairment, are considered nonperforming. The following table presents the recorded investment in all loans that are not risk rated, based on payment activity as of December 31, 2022 and 2021:

(in thousands)

	Residential 1-4 family	Commercial and multi-family real estate	Commercial	Consumer	Total
2022					
Performing	$ 126,985	$ 44	$ 293	$ 5,494	$ 132,816
Nonperforming	92	-	-	-	92
Total	$ 127,077	$ 44	$ 293	$ 5,494	$ 132,908

	Residential 1-4 family	Commercial and multi-family real estate	Commercial	Consumer	Total
2021					
Performing	$ 109,669	$ 125	$ 6,562	$ 5,565	$ 121,921
Nonperforming	48	-	-	-	48
Total	$ 109,717	$ 125	$ 6,562	$ 5,565	$ 121,969

Modifications:

The Corporation's loan portfolio also includes certain loans that have been modified in a TDR, where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. All TDRs are also classified as impaired loans.

When the Corporation modifies a loan, management evaluates any possible concession based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs, instead of discounted cash flows. If management determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), an impairment is recognized through a specific reserve in the allowance or a direct write down of the loan balance if collection is not expected.

There were no modifications for TDR loans during the years ended December 31, 2022 or December 31, 2021. There were no other subsequent defaults relating to TDR loans during the years ended December 31, 2022 and 2021.

The following is additional information with respect to loans s acquired in the Benchmark and OSB transactions as of December 31, 2022 and 2021:

	Benchmark Bank (in thousands)		
2022	**Contractual Principal Receivable**	**Accretable Difference**	**Carrying Amount**
Purchased Performing Loans and Leases			
Balance at December 31, 2021	$ 22,233	$ (328)	$ 21,905
Change due to payments received	(4,987)	(110)	(5,097)
Balance at December 31, 2022	$ 17,246	$ (218)	$ 17,028
Purchased Impaired Loans and Leases			
Balance at December 31, 2021	$ 260	$ (138)	$ 122
Change due to payments received	(80)	(10)	(90)
Balance at December 31, 2022	$ 180	$ (128)	$ 52

2021	**Contractual Principal Receivable**	**Accretable Difference**	**Carrying Amount**
Purchased Performing Loans and Leases			
Balance at December 31, 2020	$ 37,386	$ (655)	$ 36,731
Change due to payments received	(15,153)	(327)	(15,480)
Balance at December 31, 2021	$ 22,233	$ (328)	$ 21,905
Purchased Impaired Loans and Leases			
Balance at December 31, 2020	$ 287	$ (173)	$ 114
Change due to payments received	(27)	(35)	(62)
Balance at December 31, 2021	$ 260	$ (138)	$ 122

2022	The Ohio State Bank (in thousands) Contractual Principal Receivable	Accretable Difference	Carrying Amount
Purchased Performing Loans and Leases			
Balance at December 31, 2021	$ 7,024	$ (190)	$ 6,834
Change due to payments received	(1,776)	(70)	(1,846)
Balance at December 31, 2022	$ 5,248	$ (120)	$ 5,128
Purchased Impaired Loans and Leases			
Balance at December 31, 2021	$ 59	$ (09)	$ 50
Change due to payments received	18	4	22
Balance at December 31, 2022	$ 77	$ (05)	$ 72

2021	Contractual Principal Receivable	Accretable Difference	Carrying Amount
Purchased Performing Loans and Leases			
Balance at December 31, 2020	$ 10,181	$ (319)	$ 9,862
Change due to payments received	(3,157)	(129)	(3,286)
Balance at December 31, 2021	$ 7,024	$ (190)	$ 6,834
Purchased Impaired Loans and Leases			
Balance at December 31, 2020	$ 109	$ (59)	$ 50
Change due to payments received	(50)	75	25
Balance at December 31, 2021	$ 59	$ (09)	$ 50

As a result of the acquisitions, the Corporation has loans, for which there was at acquisition, evidence of deterioration of credit quality since origination and for which it was probable at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans was $52,000 as of December 31, 2022 and $122,000 as of December 31, 2021 related to the Benchmark acquisition and $72,000 at December 31, 2022 and $50,000 December 31, 2021 for the OSB acquisition.

There was no provision for loan and lease losses recognized for the years ended December 31, 2022 and 2021 related to the acquired loans as there was no significant change to the credit quality of the loans during the periods.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Corporation. Such loans are made in the ordinary course of business in accordance with the normal lending policies of the Corporation, including the interest rate charged and collateralization. Such loans amounted to $1,330,000 and $1,105,000 at December 31, 2022 and 2021 respectively. The following is a summary of activity during 2022, 2021 and 2020 for such loans:

(in thousands)	2022	2021	2020
Beginning of year	$ 1,105	$ 965	$ 1,154
Additions	319	4	4
Effect of change in composition of related parties	27	331	-
Repayments	(121)	(195)	(193)
End of year	$ 1,330	$ 1,105	$ 965

Additions and repayments include loan and lease renewals, as well as net borrowings and repayments under revolving lines-of-credit.

NOTE 5 - PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2022 and 2021:

	(in thousands)	
	2022	**2021**
Land and improvements	$ 4,081	$ 4,081
Buildings	24,108	20,831
Equipment	7,198	7,222
	35,387	32,133
Less accumulated depreciation	11,240	10,294
Premises and equipment, net	$ 24,147	$ 21,840

Depreciation expense amounted to $1,250,000 in 2022, $1,204,000 in 2021 and $1,028,000 in 2020.

NOTE 6 - SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others amounted to $262,757,000 and $263,593,000 at December 31, 2022 and 2021, respectively.

Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheets. The Corporation has elected to record its mortgage servicing rights using the fair value measurement method. Significant assumptions used in determining the fair value of servicing rights as of December 31, 2022 and 2021 include:

Prepayment assumptions:	Based on the PSA Standard Prepayment Model
Internal rate of return:	8% to 11%
Servicing costs:	$75 – $90 per loan, annually, increased at the rate of $1 per 1% delinquency based on loan count
Inflation rate of servicing costs:	3%
Earnings rate:	0.25%

Following is a summary of mortgage servicing rights activity for the years ended December 31, 2022, 2021 and 2020:

	(in thousands)		
	2022	**2021**	**2020**
Fair value at beginning of year	$ 1,868	$ 1,132	$ 1,061
Capitalized servicing rights – new loan sales	258	628	690
Disposals (amortization based on loan payments and payoffs)	(192)	(187)	(326)
Change in fair value	437	295	(293)
Fair value at end of year	$ 2,371	$ 1,868	$ 1,132

The changes in fair value of servicing rights for the years ended December 31, 2022, 2021 and 2020 resulted from changes in external market conditions, including prepayment assumptions, which is a key valuation input used in determining the fair value of servicing. The prepayment assumption factor used in determining the fair value of servicing at December 31, 2022 was 114 compared to 180 at December 31, 2021 and 365 at December 31, 2020. The earnings rate used in determining the fair value of servicing was 0.25% in 2022, 2021 and 2020.

NOTE 7 - DEPOSITS

Time deposits at December 31, 2022 and 2021 include individual deposits greater than $250,000 of $18,258,000 and $8,240,000, respectively. Interest expense on time deposits greater than $250,000 amounted to $60,000 for 2022,$134,000 for 2021, and $186,000 for 2020.

At December 31, 2022, time deposits amounted to $125,777,000 and were scheduled to mature as follows: 2023,$75,725,000;2024,$40,938,000;2025,$6,312,000;2026,$1,390,000;2027,$1,269,000; and thereafter, $143,000.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are depositors of the Corporation. Such deposits amounted to $4,298,000 and $4,596,000at December 31, 2022 and 2021, respectively.

NOTE 8 – FEDERAL FUNDS PURCHASED AND OTHER BORROWINGS

Other borrowings consists of the following at December 31, 2022 and December 31, 2021:

	(in thousands)	
	2022	**2021**
Federal Home Loan Bank		
CMA variable rate advances, interest rate of 4.42% payable monthly, principal due at maturity ranging from March 17, 2023 through March 30, 2023	$ 23,548	$ -
United Bankers Bank		
Federal funds purchased	31	12
Revolving Line of Credit with interest at 7.25% payable quarterly, principal due at maturity September 1, 2023. All Union Bank stock is held as collateral.	1,500	-
Note payable, with interest at 4.00% payable quarterly, and $250,000 principal payments, with any remaining unpaid principal, due December 1, 2028. All Union Bank stock is held as collateral.	6,000	7,000
Total other borrowings	$ 31,079	$ 7,012

At December 31, 2022, the Corporation had $158,731,000 of borrowing availability under various line-of-credit agreements with the Federal Home Loan Bank and other financial institutions.

Future maturities of other borrowings are as follows: 2023, $26,079,000; 2024, $1,000,000; 2025, $1,000,000; 2026, $1,000,000; 2027, $1,000,000; 2028, $1,000,000.

NOTE 9 - JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

The Corporation has formed and invested $300,000 in a business trust, United (OH) Statutory Trust (United Trust) which is not consolidated by the Corporation. United Trust issued $10,000,000 of trust preferred securities, which are guaranteed by the Corporation, and are subject to mandatory redemption upon payment of the debentures. United Trust used the proceeds from the issuance of the trust preferred securities, as well as the Corporation's capital investment, to purchase $10,300,000 of junior subordinated deferrable interest debentures issued by the Corporation. The debentures have a stated maturity date of March 26, 2033. As of March 26, 2008, and quarterly thereafter, the debentures may be shortened at the Corporation's option. Interest is at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month LIBOR amounting to 7.87% at December 31, 2022, 3.37% at December 31, 2021, and 3.40% at December 31, 2020, with interest payable quarterly. The Corporation has the right, subject to events in default, to defer payments of interest on the debentures by extending the interest payment period for a period not exceeding 20 consecutive quarterly periods.

The Corporation assumed $3,093,000 of trust preferred securities from the OSB acquisition with $3,000,000 of the liability guaranteed by the Corporation, and the remaining $93,000 secured by an investment in the trust preferred securities. The trust preferred securities have a carrying value of $2,709,000 at December 31, 2022 and $2,676,000 at December 31, 2021. The difference between the principal owed and the carrying value is due to the below-market interest rate on the debentures. The debentures have a stated maturity date of April 23, 2034. Interest is at a floating rate adjustable quarterly and equal to 285 basis points over the 3-month LIBOR amounting to 7.17% at December 31, 2022 and 2.97% at December 31, 2021. Management has been evaluating the cessation of Libor and has sought legal advice surrounding the conversion to another index. With several options still under consideration, utilizing the stated fallback SOFR rate is a viable and likely option and is not expected to result in a materially different interest rate.

Interest expense on the debentures amounted to $649,000in 2022, $429,000 in 2021, and $526,000 in 2020, and is included in interest expense-borrowings in the accompanying consolidated statements of income.

Each issue of the trust preferred securities carries an interest rate identical to that of the related debenture. The securities have been structured to qualify as Tier I capital for regulatory purposes and the dividends paid on such are tax deductible. However, the securities cannot be used to constitute more than 25% of the Corporation's Tier I capital inclusive of these securities under Federal Reserve Board guidelines.

NOTE 10 - OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the years ended December 31, 2022, 2021 and 2020:

	(in thousands)		
	2022	**2021**	**2020**
Data processing	$ 1,931	$ 2,196	$ 1,801
Professional fees	1,346	1,031	1,294
Ohio Financial Institution tax	861	816	635
Advertising	1,750	2,284	2,077
ATM processing and other fees	930	840	745
Amortization of core deposit intangible assets	140	143	151
Postage	84	92	93
Stationery and supplies	172	155	146
FDIC assessment	300	271	231
Loan closing fees	967	1,592	2,035
Deposit losses	139	60	47
Other	2,606	2,039	2,153
Total other operating expenses	$ 11,226	$ 11,519	$ 11,408

NOTE 11 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	(in thousands)		
	2022	**2021**	**2020**
Current	$ (127)	$ 1,114	$ 3,711
Deferred	1,341	1,380	(789)
Total provision for income taxes	$ 1,214	$ 2,494	$ 2,922

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2022, 2021, and 2020:

	(in thousands)		
	2022	**2021**	**2020**
Expected tax using statutory tax rate	$ 2,630	$ 3,376	$ 3,502
Increase (decrease) in tax resulting from:			
Tax-exempt income on state and municipal securities and political subdivision loans	(790)	(619)	(472)
Tax-exempt income on life insurance contracts	(228)	(85)	(77)
Deductible dividends paid to United Bancshares, Inc. ESOP	(182)	(73)	(44)
Tax Credits	(216)	(105)	
Other, net	-	-	13
Total provision for income taxes	$ 1,214	$ 2,494	$ 2,922

The deferred income tax provision (credit) of $1,341,000 in 2022, $1,380,000 in 2021, and ($789,000) in 2020 resulted from the tax effects of temporary differences.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are presented below:

	(in thousands)	
	2022	**2021**
Deferred tax assets:		
Allowance for loan losses	$ 1,977	$ 2,175
Deferred compensation	335	337
Alternative minimum tax credits	-	-
Nonaccrual loan interest	56	107
Deferred loan fees	193	211
Accrued vacation expense	107	-
Accrued profit sharing	211	-
Loans fair value adjustments	218	210
Unrealized loss on securities available-for sale	10,198	-
Other	86	149
Net operating loss carryforwards	278	420
Total deferred tax assets	13,659	3,609
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	363	483
Unrealized gain on securities available for sale	-	1,062
Capitalized mortgage servicing rights	499	393
Fixed asset depreciation	500	830
Acquisition intangibles	1,873	1,886
Trust preferred fair value adjustment	62	67
Other	365	195
Total deferred tax liabilities	3,662	4,916
Net deferred tax assets (liabilities)	$ 9,997	$ (1,307)

Net deferred tax assets liabilities at December 31, 2022 and 2021 are included in other assets and other liabilities in the consolidated balance sheets, respectively.

The Corporation acquired $15.0 million in federal loss carryforwards with the 2014 acquisition of OSB, which losses expire in years ranging from 2029 to 2033. Since the use of these losses is limited to $126,000 per year under Section 382 of the Internal Revenue Code, the Corporation recorded in deferred tax assets at the time of acquisition the tax benefit of only $2.5 million of the losses that were deemed more likely than not to be utilized before expiration. The Corporation also acquired $8.9 million in federal loss carryforwards with the 2017 acquisition of Benchmark, which losses expire in years ranging from 2029 to 2036. Under Section 382 of the Internal Revenue Code, the annual limitation on the use of these losses is $652,000 subject to other adjustments. At December 31, 2022, $1.3 million of loss carryforwards remained from these acquisitions, resulting in a benefit of $278,000, which was reflected in deferred tax assets.

The Corporation had no unrecognized tax benefits at December 31, 2022 and 2021. The Corporation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

There was no accrued interest related to uncertain tax positions at December 31, 2022 and December 31, 2021.

The Corporation and its subsidiaries are subject to U.S. federal income tax. The Corporation and its subsidiaries are no longer subject to examination by taxing authorities for years before 2017. There are no current federal examinations of the Corporation’s open tax years.

NOTE 12 - EMPLOYEE AND DIRECTOR BENEFITS

The Corporation sponsors a salary deferral, defined contribution plan which provides for both profit sharing and employer matching contributions. The plan permits investing in the Corporation's stock subject to certain limitations. Participants who meet certain eligibility conditions are eligible to participate and defer a specified percentage of their eligible compensation subject to certain income tax law limitations. The Corporation makes discretionary matching and profit sharing contributions, as approved annually by the Board of Directors, subject to certain income tax law limitations. Contribution expense for the plan amounted to $1,261,000, $1,399,000, and $1,478,000 in 2022,2021, and 2020, respectively. At December 31, 2022, the plan owned 346,267 shares of the Corporation's common stock.

The Corporation also sponsors nonqualified deferred compensation plans, covering certain directors and employees, which have been indirectly funded through the purchase of split-dollar life insurance policies. In connection with the policies, the Corporation has provided an estimated liability for accumulated supplemental retirement benefits amounting to $1,577,000 and $1,571,000 at December 31, 2022 and 2021, respectively, which is included in other liabilities in the accompanying consolidated balance sheets. The Corporation has also purchased split-dollar life insurance policies for investment purposes and to fund other employee benefit plans. The combined cash values of these policies aggregated $19,207,000 and $19,383,000 at December 31, 2022 and 2021, respectively.

Under an employee stock purchase plan, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a discount determined semi-annually by the Board of Directors as stipulated in the plan. The Corporation sold from treasury 9,185 shares in 2022, 12,252 shares in 2021, and 3,889 shares in 2020 under the plan.

The Chief Executive Officer has an employment agreement which provides for certain compensation and benefits should any triggering events occur, as specified in the agreement, including change of control or termination without cause.

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Corporation is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are primarily loan commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The contract amount of these instruments reflects the extent of involvement the Corporation has in these financial instruments.

The Corporation's exposure to credit loss in the event of the nonperformance by the other party to the financial instruments for loan commitments to extend credit and letters of credit is represented by the contractual amounts of these instruments. The Corporation uses the same credit policies in making loan commitments as it does for on-balance sheet loans.

The following financial instruments whose contract amount represents credit risk were outstanding at December 31, 2022 and 2021:

	(in thousands) Contract amount	
	2022	**2021**
Commitments to extend credit	$ 204,919	$ 198,423
Letters of credit	$ 319	$ 258

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Corporation upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Letters of credit are written conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party and are reviewed for renewal at expiration. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Corporation requires collateral supporting these commitments when deemed necessary.

NOTE 14 - REGULATORY MATTERS

The Corporation (on a consolidated basis) and Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and Bank to maintain minimum amounts and ratios (set forth in the following table) of Common Equity Tier 1 Capital (CET1) to risk-weighted assets (as defined), total and Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2022 and 2021, that the Corporation and Bank meet all capital adequacy requirements to which they are subject. Furthermore, the Board of Directors of the Bank has adopted a resolution to maintain Tier I capital at or above 8% of total assets.

As of December 31, 2022, the most recent notification from federal and state banking agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", an institution must maintain minimum CET1, total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

In July 2013 the U.S federal banking authorities approved the final rules (the "Basel III Capital Rules") which established a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules have maintained the general structure of the current prompt corrective action framework, while incorporating provisions which will increase both the quality and quantity of the Bank's capital. Generally, the Bank became subject to the new rules on January 1, 2015 with phase-in periods for many of the new provisions. Management believes the Bank is complying with the fully phased-in capital requirements.

The actual capital amounts and ratios of the Corporation and Bank as of December 31, 2022 and 2021 are presented in the following table:

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio (1)	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2022						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 105,450	14.8%	$ 49,733	≥ 7.0%	N/A	N/A
Bank	$ 109,713	15.5%	$ 49,609	≥ 7.0%	$ 46,066	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 114,851	16.2%	$ 74,599	≥ 10.5%	N/A	N/A
Bank	$ 118,585	16.7%	$ 74,414	≥ 10.5%	$ 70,870	10.0%
Tier 1 Capital (to Risk weighted Assets)						
Consolidated	$ 105,450	14.8%	$ 60,390	≥ 8.5%	N/A	N/A
Bank	$ 109,713	15.5%	$ 60,240	≥ 8.5%	$ 56,696	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 105,450	10.1%	$ 41,735	≥ 4.0%	N/A	N/A
Bank	$ 109,713	10.1%	$ 43,620	≥ 4.0%	$ 54,524	5.0%
As of December 31, 2021						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 98,857	14.4%	$ 48,171	≥ 7.0%	N/A	N/A
Bank	$ 102,235	14.9%	$ 48,036	≥ 7.0%	$ 44,604	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 109,212	15.9%	$ 72,256	≥ 10.5%	N/A	N/A
Bank	$ 110,838	16.2%	$ 72,053	≥ 10.5%	$ 68,622	10.0%
Tier 1 Capital (to Risk weighted Assets)						
Consolidated	$ 98,857	14.4%	$ 58,493	≥ 8.5%	N/A	N/A
Bank	$ 102,235	14.9%	$ 58,329	≥ 8.5%	$ 54,898	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 98,857	9.7%	$ 40,685	≥ 4.0%	N/A	N/A
Bank	$ 102,235	9.7%	$ 42,033	≥ 4.0%	$ 52,541	5.0%

(1) Includes capital conservation buffer of 2.5% as of December 31, 2021

On a parent company only basis, the Corporation's primary source of funds is dividends paid by the Bank. The ability of the Bank to pay dividends is subject to limitations under various laws and regulations, and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, the Bank may declare dividends without the approval of the State of Ohio, Division of Financial Institutions (the "ODFI"), unless the total dividends in a calendar year exceed the total of the Bank's net profits for the year combined with its retained profits of the two preceding years.

NOTE 15 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION

A summary of condensed financial information of the parent company as of December 31, 2022 and 2021 and for each of the years in the three-year period ended December 31, 2022, is as follows:

Condensed Balance Sheets

	(in thousands)	
Assets:	**2022**	**2021**
Cash	$ 421	$ 1,860
Investment in bank subsidiary	101,176	135,450
Other assets	1,791	1,930
Total assets	$ 103,388	$ 139,240
Liabilities:		
Junior subordinated deferrable interest debentures	$ 13,009	$ 12,976
Other borrowings	7,500	7,000
Other liabilities	188	169
Total Liabilities	20,697	20,145
Shareholders' equity	82,691	119,095
Total liabilities and shareholders' equity	$ 103,388	$ 139,240

		(in thousands)	
Condensed Statements of Income	**2022**	**2021**	**2020**
Income – dividends from bank subsidiary	$ 5,000	$ 5,000	$ 4,500
Expenses – interest, professional fees and other expenses, net of federal income tax benefit and interest income	(1,303)	(979)	(1,150)
Income before equity in undistributed net income of bank subsidiary	3,697	4,021	3,350
Equity in undistributed net income of bank subsidiary	7,613	9,560	10,405
Net income	$ 11,310	$ 13,581	$ 13,755

Condensed Statements of Cash Flows	2022	(in thousands) 2021	2020
Cash flows from operating activities:			
Net income	$ 11,310	$ 13,581	$ 13,755
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(7,613)	(9,560)	(10,405)
Stock option expense	222	183	164
Depreciation and amortization	34	35	34
(Increase) decrease in other assets	(334)	(537)	843
Increase (decrease) in other liabilities	19	(31)	(841)
Net cash provided by operating activities	3,638	3,671	3,550
Cash flows from financing activities:			
Proceed from other borrowings	1,500	7,000	-
Principal payments on other borrowings	(1,000)	(7,750)	(1,000)
Purchase of treasury stock	(2,876)	(368)	-
Proceeds from sale of treasury shares	243	243	95
Cash paid for cancellation of stock options	-	-	(11)
Cash paid for net shares repurcahsed, stock option exercise	(197)	(387)	-
Cash dividends paid	(2,747)	(2,394)	(1,668)
Net cash provided by (used in) financing activities	(5,077)	(3,656)	(2,584)
Net increase (decrease) in cash	(1,439)	15	966
Cash at beginning of the year	1,860	1,845	879
Cash at end of the year	$ 421	$ 1,860	$ 1,845

During 2005, the Board of Directors approved a program whereby the Corporation purchases shares of its common stock in the open market. The decision to purchase shares, the number of shares to be purchased, and the price to be paid depends upon the availability of shares, prevailing market prices, and other possible considerations which may impact the advisability of purchasing shares. The Corporation purchased 130,553 shares in 2022 and 11,651 shares in 2021 (none in 2020) under the program.

NOTE 16 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, and both able and willing to transact.

FASB ASC 820-10, *Fair Value Measurements* (ASC 820-10) requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Corporation's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Corporation's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The following table summarizes financial assets (there were no financial liabilities) measured at fair value as of December 31, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	(in thousands)			
2022	**Level 1 inputs**	**Level 2 inputs**	**Level 3 inputs**	**Total fair value**
Recurring:				
Securities available-for-sale:				
Obligations of state and political subdivisions	$ -	$ 136,329	$ -	$ 136,329
Mortgage-backed	-	137,792	-	137,792
U.S. Government agencies	-	4,605	-	4,605
Other	2,558	2	-	2,560
Mortgage servicing rights	-	-	2,371	2,371
Total recurring	$ 2,558	$ 278,728	$ 2,371	$ 283,657
Nonrecurring:				
Impaired Loans	-	-	-	-

2021	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total fair value
	(in thousands)			
Recurring:				
Securities available-for-sale:				
Obligations of state and political subdivisions	$ -	$ 150,784	$ -	$ 150,784
Mortgage-backed	-	152,570	-	152,570
U.S. Government agencies		2,483		2,483
Other	1,803	2	-	1,805
Mortgage servicing rights	-	-	1,868	1,868
Total recurring	$ 1,803	$ 305,839	$ 1,868	$ 309,510
Nonrecurring:				
Impaired Loans	$ -	$ -	-	-

The table below presents a reconciliation and income statement classification of gains and losses for mortgage servicing rights, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2022, 2021 and 2020:

Mortgage Servicing Rights	2022	2021	2020
		(in thousands)	
Balance at beginning of year	$ 1,868	$ 1,132	$ 1,061
Gains or losses, including realized and unrealized:			
Purchases, issuances, and settlements	258	628	690
Disposals – amortization based on loan payments and payoffs	(192)	(187)	(326)
Changes in fair value	437	295	(293)
Balance at end of year	$ 2,371	$ 1,868	$ 1,132

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, and disclosure of unobservable inputs follows.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Corporation's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available-for-Sale

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. Government and agencies, municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities may be classified within Level 3 of the valuation hierarchy.

Mortgage Servicing Rights

The Corporation records mortgage servicing rights at estimated fair value based on a discounted cash flow model which includes discount rates between 9% and 11%, in addition to assumptions disclosed in Note 6 that are considered to be unobservable inputs. Due to the significance of the level 3 inputs, mortgage servicing rights have been classified as level 3.

Impaired Loans

The Corporation does not record impaired loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral less estimated cost to sell, if repayment is expected solely from collateral. Collateral values are estimated using level 2 inputs, including market valuations and recent appraisals and level 3 inputs based on customized discounting criteria such as additional appraisal adjustments to consider deterioration of value subsequent to appraisal date and estimated cost to sell. Additional appraisal adjustments range between 10% and 30% of market value, and estimated selling cost ranges between 10% and 20% of the adjusted appraised value. Due to the significance of the level 3 inputs, impaired loans fair values have been classified as level 3.

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of recognized financial instruments at December 31, 2022 and 2021 are as follows:

	(in thousands)				
	2022		2021		
	Carrying Amount	Estimated Value	Carrying Amount	Estimated Value	Input Level
FINANCIAL ASSETS					
Cash and cash equivalents	$ 30,680	$ 30,680	$ 75,202	$ 75,202	1
Securities, including FHLB stock	285,146	285,146	312,771	312,771	2,3
Loans held for sale	3,970	3,970	9,146	9,146	3
Net loans and leases	674,174	662,217	599,204	600,512	3
Mortgage servicing rights	2,371	2,371	1,868	1,868	3
Hedging assets	215	215	922	922	3
Total financial assets	$ 996,556	$ 984,599	$ 999,113	$ 1,000,421	

	(in thousands)				
	2022		2021		
	Carrying Amount	Estimated Value	Carrying Amount	Estimated Value	Input Level
FINANCIAL LIABILITIES					
Deposits					
Maturity	$ 125,777	$ 122,209	$ 129,447	$ 129,196	3
Non-maturity	828,106	828,106	800,966	800,966	1
Fed funds purchased and other borrowings	31,079	31,079	7,012	7,012	3
Junior subordinated deferrable interest debentures	13,009	9,608	12,976	10,931	3
Hedging liabilities	10	10	46	46	3
Total financial liabilities	$ 997,981	$ 991,012	$ 950,447	$ 948,151	

The above summary does not include accrued interest receivable and cash surrender value of life insurance which are also considered financial instruments. The estimated fair value of such items is considered to be their carrying amounts, and would be considered Level 1 inputs.

There are also unrecognized financial instruments at December 31, 2022 and 2021 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $205.2 million at December 31, 2022 and $198.7 million at December 31, 2021. Such amounts are also considered to be the estimated fair values.

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

Cash and cash equivalents:

Fair value is determined to be the carrying amount for these items (which include cash on hand, due from banks, and federal funds sold) because they represent cash or mature in 90 days or less and do not represent unanticipated credit concerns.

Securities:

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities may be classified within Level 3 of the valuation hierarchy. The Corporation did not have any securities classified as Level 3 at December 31, 2022 or 2021.

Loans:

Loans originated and intended for sale in the secondary market are carried at the estimated fair value in the aggregate. Estimated fair value is determined based on quoted market prices in the secondary market.

Loans:

Fair value for loans was estimated for portfolios of loans with similar financial characteristics. For adjustable-rate loans, which re-price at least annually and generally possess low risk characteristics, the carrying amount is believed to be a reasonable estimate of fair value. For fixed rate loans the fair value is estimated based on a discounted cash flow analysis, considering weighted average rates and terms of the portfolio, adjusted for credit and interest rate risk inherent in the loans. Fair value for nonperforming loans is based on recent appraisals or estimated discounted cash flows. The fair value disclosures for both fixed and adjustable-rate loans were adjusted to reflect the exit price amount anticipated to be received from the sale of the loans in an open market transaction.

Mortgage servicing rights:

The fair value for mortgage servicing rights is determined based on an analysis of the portfolio by an independent third party.

Derivative assets and liabilities:

The fair value of derivative assets and liabilities are evaluated monthly based on derivative valuation models using quoted prices for similar assets adjusted for specific attributes of the commitments and other observable market data at the valuation date.

Deposit liabilities:

The fair value of core deposits, including demand deposits, savings accounts, and certain money market deposits, is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated using the rates offered at year end for deposits of similar remaining maturities. The estimated fair value does not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the marketplace. The fair value disclosures for all of the deposits were adjusted to reflect the exit price amount anticipated to be received from sale of the deposits in an open market transaction.

Other financial instruments:

The fair value of commitments to extend credit and letters of credit is determined to be the contract amount, since these financial instruments generally represent commitments at existing rates. The fair value of other borrowings is determined based on a discounted cash flow analysis using current interest rates. The fair value of fed funds purchased and other borrowings is determined to be the carrying value due to the short-term to maturity of these borrowings. The fair value of the junior subordinated deferrable interest debentures is determined based on quoted market prices of similar instruments.

The fair value estimates of financial instruments are made at a specific point in time based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument over the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Since no ready market exists for a significant portion of the financial instruments, fair value estimates are largely based on judgments after considering such factors as future expected credit losses, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

NOTE 18 – REVENUE RECOGNITION

The Corporation's revenue from contracts with customers within the scope of ASC 606 is recognized in noninterest income. The material groups of noninterest income are defined as follows:

***Service charges on deposit accounts*:**
Service charges on deposit accounts primarily consist of account analysis fees, monthly maintenance fees, overdraft fees, and other deposit account related fees. Overdraft fees and certain service charges are fixed and the performance obligation is typically satisfied at the time of the related transaction. The consideration for analysis fees and monthly maintenance fees are variable as the fee can be reduced if the customer meets certain qualifying metrics. The Company's performance obligations are satisfied at the time of the transaction or over the course of a month.

Interchange fee income:
The Company earns interchange fees from debit and credit cardholder transactions conducted through the MasterCard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized concurrently with the transaction processing services provided to the cardholder.

Wealth management income:
The Company earns wealth management and investment brokerage fees from its services with customers to manage assets for investment, to provide advisory services, and for account transactions. Fees are based on the market value of the assets under management and are recognized monthly as the Company's performance obligations are met. Commissions on transactions are recognized on a trade-date basis as the performance obligation is satisfied at the point in time in which the trade is processed. Other related services are based on a fixed fee schedule and the revenue is recognized when the services are rendered, which is when the Company has satisfied its performance obligation.

The following table presents the Company's non-interest income for the years ended December 31, 2022, 2021 and 2020. Items outside the scope of ASC 606 are noted as such.

	Year ended December 31,		
	2022	2021	2020
Service charges on deposit accounts	$ 1,232	$ 1,090	$ 1,102
Gain on sale of loans (1)	1,870	13,468	24,139
Net securities gains (losses) (1)	(114)	(16)	289
Change in fair value of mortgage servicing rights (1)	437	295	(293)
Increase in cash surrender value of life insurance (1)	1,166	402	368
Credit and debit card interchange fees	1,788	1,806	1,514
Wealth management	480	420	319
Net loan servicing fees (1)	550	512	262
Other non-interest income (expense)	2,545	(631)	(700)
Total non-interest income	$ 9,954	$ 17,346	$ 27,000

(1) Not within the scope of ASC 606

NOTE 19 – LEASING ARRANGEMENTS

The Corporation leases various branch facilities under operating leases. Rent expense was $396,000,$406,000, and $424,000 for the years ended December 31, 2022, 2021 and 2020, respectively. A right-of-use asset, included in other assets, and lease liability, included in other liabilities, were both $1,364,000 at December 31, 2022 and $1,658,000 at December 31, 2021.

The following is a schedule of future minimum rental payments required under the facility leases as of December 31, 2022:

Year ending December 31,	Amount (in thousands)
2023	$ 263
2024	264
2025	244
2026	116
2027	52
Thereafter	750
Total	1,689
Present value discount	(325)
Total	$ 1,364

NOTE 20 – STOCK-BASED COMPENSATION

The United Bancshares, Inc.2016 Stock Option Plan (the "Plan") permits the Corporation to award non-qualified stock options to eligible participants. There are no remaining shares available for issuance pursuant to the Plan.

The Corporation issued 35,966 options during 2022 at an exercise price of $23.10, 21,958 options during 2021 at an exercise price of $34.60, and 63,858 options during 2020 at an exercise price of $16.77 under the Plan. Following is a summary of activity for stock options for the years ended December 31, 2022, 2021 and 2020 (number of shares):

	2022	2021	2020
Outstanding, beginning of year	133,792	157,817	117,647
Granted	35,966	21,958	63,858
Exercised	(23,356)	(33,324)	-
Cancelled	-	-	(2,955)
Forfeited	(3,224)	(12,659)	(20,733)
Outstanding, end of year	143,178	133,792	157,817
Weighted average exercise price at end of year	$ 22.71	$ 22.28	$ 19.83

The options vest over a three-year period on the anniversary of the date of grant. At December 31, 2022, 79,462 options were vested and outstanding options had a weighted average remaining contractual term of 7.7 years.

The fair value of options granted is estimated at the date of grant using the Black Scholes option pricing model. Following are assumptions used in calculating the fair value of the options granted in 2022, 2021 and 2020:

	2022	2021	2020
Weighted-average fair value of options granted	$ 6.95	$ 11.19	$ 4.83
Average dividend yield	3.64%	2.23%	2.93%
Expected volatility	40.00%	40.00%	40.00%
Risk-free interest rate	2.90%	1.00%	0.49%
Expected term (years)	7	7	7
Shares Granted	35,966	21,958	63,858
Exercise Price	$ 23.10	$ 34.60	$ 16.77

Total compensation expense related to the stock options granted in 2022, net of forfeitures, is expected to be $250,000 and is being recognized ratably over the 36-month period beginning July 1, 2022. Total compensation expense related to the stock options granted in 2021, net of forfeitures, is expected to be $242,000 and is being recognized ratably over the 36-month period beginning July 1, 2021. Total compensation expense related to the stock options granted in 2020, net of forfeitures, is expected to be $252,000 and is being recognized ratably over the 36-month period beginning July 1, 2020. Stock option expense for outstanding awards amounted to $222,000, $183,000 and $164,000 for the years ended December 31, 2022, 2021 and 2020, respectively.

NOTE 21 - CONTINGENT LIABILITIES

In the normal course of business, the Corporation and its subsidiary may be involved in various legal actions, but in the opinion of management and legal counsel, the ultimate disposition of such matters is not expected to have a material adverse effect on the consolidated financial statements.

NOTE 22 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents a summary of selected unaudited quarterly financial data for 2022 and 2021:

	(in thousands, except share data)				
	Interest Income	Net Interest Income	Net Income	Net Income Per Share Basic	Net Income Per Share Diluted
2022					
First quarter	$ 8,765	$ 8,202	$ 2,520	$ 0.77	$ 0.76
Second quarter	$ 9,253	$ 8,682	$ 2,170	$ 0.66	$ 0.65
Third quarter	$ 10,126	$ 9,329	$ 3,086	$ 0.94	$ 0.94
Fourth quarter	$ 10,798	$ 9,471	$ 3,534	$ 1.10	$ 1.10
2021					
First quarter	$ 9,490	$ 8,655	$ 4,117	$ 1.26	$ 1.24
Second quarter	$ 9,249	$ 8,436	$ 2,655	$ 0.81	$ 0.80
Third quarter	$ 10,648	$ 9,903	$ 4,092	$ 1.24	$ 1.22
Fourth quarter	$ 9,417	$ 8,741	$ 2,717	$ 0.83	$ 0.81

OFFICERS - UNITED BANCSHARES, INC.

Brian D. Young - President/Chief Executive Officer
Klint D. Manz- Chief Financial Officer
Denise E. Giesige - Secretary

OFFICERS - THE UNION BANK COMPANY

Brian D. Young - President/CEO/Chairman
Klint D. Manz- Chief Financial Officer/Chief Lending Officer
Denise E. Giesige - Secretary/Human Resource Manager
Stacey L. Clemens- Chief Risk Officer
Teresa M. Deitering - Chief Credit Officer
Brent D. Nussbaum- Chief Operations Officer
Travis E. Vulich - Mortgage Division Manager

UNITED BANCSHARES, INC.
Columbus Grove, Ohio

DIRECTORS – UNITED BANCSHARES, INC.

NAME	AGE	DIRECTOR SINCE	NAME	AGE	DIRECTOR SINCE
Robert L. Benroth *Putnam County Auditor*	60	2003	Daniel W. Schutt *Chairman, Retired Banker*	75	2005
Herbert H. Huffman *Retired - Educator*	72	2018	R. Steven Unverferth *Chairman, Unverferth Manufacturing Corporation, Inc.*	70	2005
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	80	2000	Brian D. Young *President/CEO*	56	2012
David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	72	2001			

DIRECTORS – THE UNION BANK COMPANY

NAME	AGE	DIRECTOR SINCE (a)	NAME	AGE	DIRECTOR SINCE (a)
Robert L. Benroth *Putnam County Auditor*	60	2001	David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	72	1997
Anthony M.V. Eramo *Managing Director, MountainView Financial Solutions*	57	2016	Carol R. Russell *President/CEO, Schulte Group*	68	2019
Herbert H. Huffman *Retired - Educator*	72	1993	Daniel W. Schutt *Retired Banker*	75	2005
Kevin L. Lammon *Village Administrator, Village of Leipsic*	68	1996	R. Steven Unverferth *Chairman, Unverferth Manufacturing Corporation, Inc*	70	1993
William R. Perry *Farmer*	64	1990	Dr. Jane M. Wood *President, Bluffton University*	55	2021
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	80	1979	Brian D. Young *President/CEO/Chairman*	56	2008

(a) Indicates year first elected or appointed to the board of The Union Bank Company or any of the former affiliate banks, Bank of Leipsic or the Citizens Bank of Delphos.

Exhibit 21

United Bancshares, Inc. Subsidiaries

The Union Bank Company
Ohio banking corporation
Columbus Grove, Ohio

UBC Risk Management, Inc.
Nevada Corporation
Las Vegas, Nevada

United (OH) Statutory Trust I
Connecticut statutory trust
Columbus Grove, Ohio

Ohio State Bancshares Capital Trust 1
Delaware statutory trust
Acquired thru The OSB acquisition
Columbus Grove, OH

UBC Investments, Inc. – a wholly-owned subsidiary of The Union Bank Company
Delaware Corporation
Wilmington, Delaware

UBC Property, Inc. – a wholly-owned subsidiary of The Union Bank Company
Ohio Corporation
Columbus Grove, Ohio

CliftonLarsonAllen LLP
CLAconnect.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-106929 and 333-251231 on Form S-8 of United Bancshares, Inc., of our report dated March 13, 2023, relating to the consolidated financial statements appearing in this Annual Report on Form 10-K as of and for the three years ended December 31, 2022, listed in the accompanying index.

/s/ CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
March 13, 2023

Exhibit 31.1

CERTIFICATION - CEO

In connection with the Annual Report of United Bancshares, Inc. on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, Chief Executive Officer of United Bancshares, Inc., certify, that:

(1) I have reviewed this Annual Report on Form 10-K of United Bancshares, Inc.;

(2) Based on my knowledge, this annual 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 annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 we 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 annual 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 registrant's board of directors:

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.

/s/ Brian D. Young
Brian D. Young
Chief Executive Officer
March 13, 2023

Exhibit 31.2

Rule 13a–14(a)/15d–14(a) CERTIFICATION

I, Klint D. Manz, Chief Financial Officer of United Bancshares, Inc., certify, that:

(1) I have reviewed this Annual Report on Form 10-K of United Bancshares, Inc.;

(2) Based on my knowledge, this annual 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 annual 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)) 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 subsidiary, 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 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.

/s/ Klint D. Manz
Klint D. Manz
Chief Financial Officer
March 13, 2023

Exhibit 32.1

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

In connection with the Annual Report of United Bancshares, Inc. (the "Corporation") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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 Corporation.

/s/ Brian D. Young
Brian D. Young
Chief Executive Officer

Date: March 13, 2023

*This certification is being furnished as required by Rule 13a –14(b) under the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of United Bancshares, Inc. (the "Corporation") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Klint D. Manz, Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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 Corporation.

/s/ Klint D. Manz
Klint D. Manz
Chief Financial Officer

Date: March 13, 2023

*This certification is being furnished as required by Rule 13a –14(b) under the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.