UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934, as amended

For the fiscal year ended December 31, 2020
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	NASDAQ Global 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 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 $54,834,228, based upon the last sales price as quoted on the NASDAQ Global Market as of June 30, 2020.
The number of shares of Common Stock, no par value outstanding as of January 31, 2021: 3,278,508

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2020 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 28, 2021 are 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, 2020, 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 $978.5 million at December 31, 2020. 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, 2020, UBOH and its subsidiary (collectively the "Corporation") employed approximately 222 full-time equivalent employees.

United Bancshares, Inc.'s common stock has traded on the NASDAQ Global Market under the symbol "UBOH" since March 2001.

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

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 offices located in Bowling Green, Columbus Grove, Delaware, Delphos, Findlay, Gahanna, Gibsonburg, Kalida, Leipsic, Lima, Marion, Ottawa, Paulding, Pemberville, Plymouth, Westerville and Worthington 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.

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 NASDAQ Global 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. 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 2020, 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 2021. 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 Putnam, Allen, Wood, and Marion, in which the Bank currently operates 14 of its 20 total full service banking offices. According to the most recent FDIC Deposit Market Share Report, as of June 30, 2020 there were a total of 25 banking institutions competing in the Bank's primary market area, with the Bank ranking fifth in deposit market share with approximately 10.39% of the aggregate deposits. The Bank operates its remaining six branch banking offices in the Ohio counties of Delaware, Franklin, Hancock, Paulding, and Sandusky.

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, 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 DIF, 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 requirements to maintain reserves against deposits, 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 FDI Act, 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 under capitalized, 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 under capitalized.

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 under capitalized.” 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 under capitalized” status. Generally, the regulations require the appropriate federal banking agency to take prompt corrective action with respect to an institution which becomes “under capitalized” and to take additional actions if the institution becomes “significantly under capitalized” or “critically under capitalized.” 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, 2020, Union Bank has total risk-based capital of 15.8%, tier 1 risk-based capital and CET 1 capital of 14.5%, and tier 1 leverage capital of 9.4%.

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 under capitalized institution by its relevant regulator must be guaranteed to a limited extent by the institution’s parent bank or financial holding company.

In October 2013, the federal banking regulators published final rules establishing a new comprehensive capital framework for U.S. banking organizations (the "Regulatory Capital Rules"). The Regulatory Capital Rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The implementation of the Regulatory Capital Rules has led to higher capital requirements and more restrictive leverage liquidity ratios. In addition, in order to avoid limitations on capital distributions, such as dividend payments and certain bonus payments to executive officers, the Regulatory Capital Rules require insured financial institutions to hold a capital conservation buffer of common equity tier 1 capital above the minimum risk-based capital requirements. The capital conservation buffer has been phased in over time becoming fully effective on January 1, 2019, and consists of an additional amount of common equity equal to 2.5% of risk-weighted assets. The Regulatory Capital Rules also revise the regulatory agencies' prompt corrective action framework by incorporating the new regulatory capital minimums and updating the definition of common equity. The Regulatory Capital Rules phase in began on January 1, 2015, for non-advanced approaches banking organizations, like UBOH and Union Bank and was fully phased in on January 1, 2019. UBOH and Union Bank currently meet all regulatory capital requirements.

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 FDI Act 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 in 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 table analyze certain elements of the consolidated balance sheets and statements of income of the Corporation and its subsidiary, as required under Securities Act Industry Guide 3 promulgated by the Securities and Exchange Commission, 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 2020 Annual Report.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

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

	2020	2019	2018
ASSETS		(in thousands)	
Interest-earning assets			
Securities (1)			
Taxable	$ 102,448	$ 116,335	$ 112,896
Non-taxable	83,399	62,740	60,696
Interest-bearing deposits	42,906	20,433	8,601
Loans (2)	663,097	582,377	540,687
Total interest-earning assets	891,850	781,885	722,880
Non-interest-earning assets			
Cash and due from banks	7,607	8,142	9,268
Premises and equipment, net	18,590	18,724	19,117
Accrued interest receivable and other assets	56,018	56,798	54,906
Allowance for loan losses	(6,237)	(3,856)	(3,182)
	$ 967,828	$ 861,693	$ 802,989
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Deposits			
Savings and interest-bearing demand deposits	$ 452,878	$ 382,553	$ 367,536
Time deposits	171,881	192,077	173,574
Junior subordinated deferrable interest debentures	12,926	12,892	12,858
Other borrowings	50,533	60,284	60,357
Total interest-bearing liabilities	688,218	647,806	614,325
Non-interest-bearing liabilities			
Demand deposits	168,179	120,227	106,877
Accrued interest payable and other liabilities	9,800	7,008	5,645
Shareholders' equity (3)	101,631	86,652	76,142
	$ 967,828	$ 861,693	$ 802,989

(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.

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

B. 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,								
	2020			2019			2018		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
					(In Thousands)				
Interest-earning assets									
Securities (1)									
Taxable	$ 102,448	$ 1,938	1.89%	$ 116,335	$ 2,601	2.24%	$ 112,896	$ 2,573	2.28%
Non-taxable (2)	83,399	2,705	3.24%	62,740	2,157	3.44%	60,696	1,971	3.25%
Loans (3, 4)	663,097	35,696	5.38%	582,377	32,867	5.64%	540,687	29,722	5.50%
Interest-bearing deposits	42,906	259	0.60%	20,433	647	3.17%	8,601	513	5.96%
Total interest-earning assets	$ 891,850	$ 40,598	4.55%	$ 781,885	$ 38,272	4.89%	$ 722,880	$ 34,779	4.81%
INTEREST-BEARING LIABILITIES									
Deposits									
Savings and interest-bearing demand deposits	$ 452,878	$ 1,321	0.29%	$ 382,553	$ 2,687	0.70%	$ 367,536	$ 1,552	0.42%
Time deposits	171,881	2,677	1.56%	192,077	3,753	1.95%	173,574	2,297	1.32%
Junior subordinated deferrable interest debentures	12,926	526	4.07%	12,892	728	5.65%	12,858	697	5.42%
Other borrowings	50,533	2,464	4.88%	60,284	1,756	2.91%	60,357	1,612	2.67%
Total interest-bearing liabilities	$ 688,218	$ 6,988	1.02%	$ 647,806	$ 8,924	1.38%	$ 614,325	$ 6,158	1.00%
Net interest income, interest rate spread, tax equivalent basis		$ 33,610	3.53%		$ 29,348	3.51%		$ 28,621	3.81%
Net interest margin			3.77%			3.75%			3.96%

(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 (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 $7,309,000 in 2020, $2,723,000 in 2019 and $2,127,000 in 2018.

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

C. 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 2020, 2019 and 2018 in the table that follows:

	Year Ended December 31,					
	2020 vs. 2019			2019 vs. 2018		
	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	$ (663)	$ (289)	$ (374)	$ 28	$ 77	$ (49)
Non-taxable	548	676	(128)	186	68	118
Loans	2,829	4,398	(1,569)	3,145	2,337	808
Other	(388)	379	(767)	134	459	(325)
Subtotal	2,326	5,164	(2,838)	3,493	2,941	552
INTEREST EXPENSE						
Deposits -						
Savings and interest-bearing demand deposits	(1,366)	425	(1,791)	1,135	66	1,069
Time deposits	(1,076)	(368)	(708)	1,456	266	1,190
Junior subordinated deferrable interest debentures	(202)	2	(204)	31	2	29
Other borrowings	708	(321)	1,029	144	(2)	146
Subtotal	(1,936)	(262)	(1,674)	2,766	332	2,434
NET INTEREST INCOME	$ 4,262	$ 5,426	$ (1,164)	$ 727	$ 2,609	$ (1,882)

II. 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.

A. The carrying amounts of securities available-for-sale as of December 31 are summarized as follows:

	2020	2019	2018
		(in thousands)	
Obligations of states and political subdivisions	$ 99,805	$ 72,554	$ 59,466
Mortgage-backed securities	93,611	110,041	106,924
Other	1,164	1,016	964
	$ 194,580	$ 183,611	$ 167,354

B. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. The maturity distribution and weighted average yield of securities available-for-sale at December 31, 2020 are as follows (1):

		Maturing			
	Within One Year	After One Year But Within Five Years	After Five Years But Within Ten Years	After Ten Years	Total
		(dollars in thousands)			
Obligations of states and political subdivisions	$ 562	$ 6,710	$ 13,238	$ 79,295	$ 99,805
Mortgage-backed securities (2)	-	2	11,376	82,233	$ 93,611
	$ 562	$ 6,712	$ 24,614	$ 161,528	$ 193,416
		Weighted Average Yield (3)			
Obligations of states and political subdivisions	3.46%	3.17%	3.17%	3.11%	3.13%
Mortgage-backed securities (2)	-	3.81	2.21%	2.07%	2.09%
Weighted Average Yield - Portfolio	3.46%	3.28%	2.73%	2.58%	2.63%

(1) Table excludes $1,164,000 of securities having no maturity date.
(2) Maturity based upon estimated weighted-average life.
(3) Computed on tax equivalent basis for non-taxable securities.

The weighted average interest rates are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount.

C. There were no securities which exceeded 10% of shareholders' equity at December 31, 2020.

III. LOAN AND LEASE PORTFOLIO

A. Types of Loans and Leases – Total loans and leases, including loans held for sale, are comprised of the following classifications at December 31 for the years indicated:

	2020		2019		2018		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
					(in thousands)					
Residential 1-4 family real estate	$ 129,488	19.84%	$ 138,206	23.36%	$ 127,546	22.40%	$ 123,802	24.33%	$ 90,534	23.98%
Commercial and multi-family real estate	374,832	57.44%	367,614	62.13%	354,446	62.26%	312,010	61.32%	219,487	58.13%
Commercial	141,280	21.65%	77,658	13.12%	80,630	14.16%	68,320	13.43%	63,718	16.87%
Consumer loans	6,930	1.06%	8,247	1.39%	6,697	1.18%	4,664	0.92%	3,857	1.02%
	652,530	100.00%	591,725	100.00%	569,319	100.00%	508,796	100.00%	377,596	100.00%
Allowance for loan losses	9,994		4,131		3,527		2,835		3,345	
Loans, net	$ 642,536		$ 587,594		$ 565,792		$ 505,961		$ 374,251	

Real estate mortgage loans include real estate construction loans of $5.0 million in 2020, $5.2 million in 2019, $1.3 million in 2018, $3.0 million in 2017, and $2.2 million in 2016. There were no lease financing receivables in any year.

B. Maturities and Sensitivities of Loans and Leases to Changes in Interest Rates – The following table shows the amounts of commercial and multi-family real estate and commercial loans outstanding as of December 31, 2020 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 commercial and multi - family real estate loan and commercial loans due after one year. (Variable-rate loans are those loans with floating or adjustable interest rates.)

Maturing	Commercial and Agricultural
	(in thousands)
Within one year	$ 42,790
After one year but within five years	140,713
After five years	332,609
	$ 516,112

	Interest Sensitivity		
	Fixed Rate	Variable and Adjustable Rate	Total
		(in thousands)	
Due after one year but within five years	$ 118,391	$ 22,322	$ 140,713
Due after five years	38,067	294,542	332,609
	$ 156,458	$ 316,864	$ 473,322

C. Risk Elements – Non-accrual, Past Due, Restructured and Impaired Loans and Leases – The following table summarizes non-accrual, past due, restructured and impaired loans and leases at December 31:

	2020	**2019**	**2018**	**2017**	**2016**
			(in thousands)		
(a) Loans accounted for on a non-accrual basis	$ 950	$ 963	$ 1,445	$ 2,767	$ 6,003
(b) Loans contractually past due 90 days or more as to interest or principal payments and still accruing interest	60	138	161	170	154
(c) Loans not included in (a) or (b) which are Troubled Debt Restructurings as defined by accounting principles generally accepted in the United States of America	1,490	1,618	624	712	1,208
	$ 2,500	$ 2,719	$ 2,230	$ 3,649	$ 7,365

The following is reported for the years ended December 31:

	2020	**2019**	**2018**	**2017**	**2016**
			(in thousands)		
Gross interest income that would have been recorded on non-accrual loans outstanding if the loans had been current, in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the period	$ 77	$ 71	$ 15	$ 131	$ 275
Interest income actually recorded on non- accrual loans and included in net income for the period	-	-	-	-	-
Interest income not recognized during the period	$ 77	$ 71	$ 15	$ 131	$ 275

III. **LOAN AND LEASE PORTFOLIO (CONTINUED)**

1. Discussion of the non-accrual policy

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.

2. Potential problem loans

As of December 31, 2020, in addition to the $2.5 million of loans reported under Item III C, there are approximately $19.9 million of other outstanding loans where known information causes management to have doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans pursuant to Item III C at some future date. Consideration was given to loans classified for regulatory purposes as substandard or special mention that have not been disclosed in Item III C above.

3. Foreign outstanding loans

None.

4. Loan concentrations

None.

D. Other interest-bearing assets

As of December 31, 2020, there were no other interest-bearing assets that are required to be disclosed.

IV. **SUMMARY OF LOAN LOSS EXPERIENCE**

A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31:

	2020	2019	2018	2017	2016
			(dollars in thousands)		
LOANS					
Loans outstanding at end of period (1)	$ 652,530	$ 591,725	$ 569,319	$ 508,796	$ 377,596
Average loans outstanding during period (1)	$ 663,097	$ 582,377	$ 540,687	$ 421,564	$ 361,437
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	$ 4,131	$ 3,527	$ 2,835	$ 3,345	$ 3,834
Loans charged off:					
Residential Real Estate	(228)	(46)	(52)	(45)	(52)
Commercial and Multi Family Real Estate	(125)	(23)	(114)	(553)	(12)
Commercial	(4)	(101)	(21)	(63)	(86)
Consumer loans	(33)	(10)	(10)	(28)	(10)
	(390)	(180)	(197)	(689)	(160)
Recoveries of loans previously charged off:					
Residential Real Estate	9	40	75	14	61
Commercial and Multi Family Real Estate	29	152	306	414	317
Commercial	14	41	57	92	34
Consumer loans	1	1	1	9	9
	53	234	439	529	421
Net loan (charge offs) recoveries	(337)	54	242	(160)	261
Provision (credit) for loan losses	6,200	550	450	(350)	(750)
Balance at end of period	$ 9,994	$ 4,131	$ 3,527	$ 2,835	$ 3,345
Ratio of net charge-offs (recoveries) during the period to average loans outstanding during the period	0.05%	(0.01)%	(0.04)%	0.04%	(0.07)%

(1) Including loans held for sale.

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 2020 loan charge-offs included 37 consumer, mortgage, or commercial credits with the largest individual charge-off being $84,500. The 2019 net recoveries included charge-offs of 23 consumer, mortgage, HELOC, or commercial credits with the largest individual charge-off being $80,000. The 2018 net recoveries included charge-offs of 28 consumer, mortgage, HELOC, or commercial credits, with the largest individual charge-off being $85,000. The 2017 loan charge-offs included 38 consumer, mortgage, HELOC, or commercial credits, with the largest individual charge-off being $406,000. The 2016 net recoveries included charge-offs of 46 consumer, mortgage, HELOC, commercial, or agricultural credits, with the largest individual charge-off being $86,000.

IV. **SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)**

The Corporation recognized a provision for loan losses of $6,200,000 in 2020 and $550,000 in 2019, and $450,000 in 2018. Problem and potential problem loans aggregated $19.4 million at December 31, 2020 compared to $7.7 million at December 31, 2019. This increase is primarily a result of economic conditions resulting from the COVID-19 pandemic. 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.

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

	December 31,									
	2020		2019		2018		2017		2016	
	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	$ 1,683	19.85%	$ 592	23.36%	$ 576	22.40%	$ 545	24.33%	$ 542	23.98%
Commercial and Multi Family Real Estate	6,664	57.44%	2,536	62.13%	2,355	62.26%	1,746	61.32%	1,876	58.13%
Commercial	1,515	21.65%	939	13.12%	534	14.16%	501	13.43%	896	16.87%
Consumer loans	132	1.06%	64	1.39%	62	1.18%	43	0.92%	31	1.02%
	$ 9,994	100.0%	$ 4,131	100.0%	$ 3,527	100.0%	$ 2,835	100.0%	$ 3,345	100.0%

The allowance for loan losses at December 31, 2020 included specific reserves for impaired loans amounting to $255,000. There was $435,000 included in specific reserves for impaired loans at December 31, 2019.

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.

V. **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.

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

	2020		2019		2018	
	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
			(dollars in thousands)			
Savings and interest-bearing demand deposits	$ 452,878	0.29%	$ 382,553	0.70%	$ 367,536	0.42%
Time deposits	171,881	1.56%	192,077	1.95%	173,574	1.32%
Demand deposits (non-interest bearing)	168,179	-	120,227	-	106,877	-
	$ 792,938		$ 694,857		$ 647,987	

C.&E. There were no foreign deposits in any periods presented.

D. Maturities of certificates of deposit and other time deposits of $100,000 or more outstanding at December 31, 2020 are summarized as follows:

	(in thousands)
Three months or less	$ 9,293
Over three months and through six months	8,707
Over six months and through twelve months	29,377
Over twelve months	14,286
	$ 61,663

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders’ equity and average total assets and certain other ratios are as follows:

	2020	2019	2018
		(dollars in thousands)	
Average total assets	$ 967,828	$ 861,693	$ 802,989
Average shareholders' equity (1)	$ 101,631	$ 86,652	$ 76,142
Net Income	$ 13,755	$ 10,661	$ 8,220
Cash dividends declared	$ 1,668	$ 1,702	$ 1,568
Return on average total assets	1.42%	1.24%	1.02%
Return on average shareholders' equity	13.53%	12.30%	10.80%
Dividend payout ratio (2)	12.13%	15.96%	19.08%
Average shareholders' equity to average total assets	10.50%	10.06%	9.48%

(1) Average shareholders’ equity includes average unrealized gains or losses on securities available-for-sale.

(2) Dividends declared divided by net income.

VII. SHORT-TERM BORROWINGS

The Corporation has established lines of credit with its major correspondent banks to purchase federal funds to meet liquidity needs. At December 31, 2020, the Corporation had no federal funds purchased, out of the $155.9 million available under such lines. The Corporation also uses repurchase agreements as a source of funds. These agreements essentially represent borrowings by the Corporation from customers with maturities of three months or less. Certain securities are pledged as collateral for these agreements. At December 31, 2020, the Corporation had no repurchase agreements.

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.

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 and lease loss experience; current loan and lease portfolio quality; present economic, political and regulatory conditions, and unidentified losses inherent in the current loan and lease portfolio. The determination of the appropriate level of the allowance for loan and lease 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 and lease losses and may require an increase in the provision for loan and lease losses or the recognition of further loan and lease charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan and lease 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, 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 and lease 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 Subsidiaries for Most of Its Revenue

UBOH is a separate and distinct legal entity from its subsidiaries. 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 .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 new Congress taking office in January 2021, Democrats have retained control of the U.S. House of Representatives, and have gained control of the U.S. Senate, albeit with a majority found only in the tie-breaking vote of Vice President Kamala Harris. However slim the majorities, though, the net result is unified Democratic control of the White House and both chambers of Congress, and consequently Democrats will be able to set the agenda both legislatively and in the Administration. We expect that Democratic-led Congressional committees will pursue greater oversight and will also pay increased attention to 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 turnover of the presidential administration 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. With few exceptions, the heads of those agencies and departments will change in 2021 pending Senate confirmation. In addition, the Federal Reserve and the FDIC Board of Directors may experience significant turnover within the next year to two years. These changes could impact the rulemaking, supervision, examination and enforcement priorities and policies of the agencies. Of note, promptly after taking office, President Biden issued an Executive Order instituting a "freeze" of certain recently-finalized and pending regulations to allow for review by incoming Administration officials. As a result of this Executive Order, recently-adopted regulations may be subject to further notice-and-comment rulemaking and, more broadly, agency rulemaking agendas may be disrupted. 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.

COVID-19 May Continue to Significantly Impact the Corporation's Business

COVID-19 continues to cause significant disruptions in the U.S. economy at large, and for small businesses in particular, which continues to impact the Corporation's operations. We are starting to see the impact from COVID-19 on our business, and we believe that it will be significant, adverse and potentially material. Currently, COVID-19 infections continue throughout the United States. The ongoing concerns on the part of the U.S. have created continued risk of further recession, reduced economic activity and significant volatility in the U.S. stock markets. COVID-19 may impact the financial ability of businesses and consumers to borrow money, which would negatively impact loan volumes. We expect continued disruption across our business due to these effects, very likely leading to decreased earnings, increased loan defaults and significant slowdowns in our loan collections. Continued high rates of unemployment and recessionary concerns will also likely adversely affect mortgage originations and mortgage banking revenue in future periods.

In addition, certain of our borrowers are in or have exposure to the retail, restaurants, and hospitality industries and/or are located in areas that are mandating reduced capacity requirements or other types of operating restrictions, and COVID-19 may also have an adverse effect on our commercial real estate and consumer loan portfolios. Any additional prolonged quarantine or stay-at-home order would have a negative adverse impact on these borrowers and their revenue streams, which consequently impacts their ability to meet their financial obligations and could result in loan defaults.

The Corporation relies upon its third-party vendors to conduct business and to process, record, and monitor transactions. If any of these vendors are unable to continue to provide the Corporation with these services, it could negatively impact the Corporation's ability to serve its customers. Furthermore, the continued outbreak could negatively impact the ability of the Corporation's employees and customers to engage in banking and other financial transactions in the geographic area in which the Corporation operates and could create widespread business continuity issues for the Corporation. The Corporation also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to the effects and restrictions of a COVID-19 outbreak in our market area. Although the Corporation has business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective.

We continue to believe that the extended economic impact from COVID-19 will be severe and could have a material and adverse impact on our business and that it could result in significant losses in our loan portfolio in future periods, all of which would adversely and materially impact our earnings and capital.

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.

Consumers May Decide Not To Use Banks to Complete their Financial Transactions

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also 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 deposits as a source of funds could have a material adverse effect on the Corporation's financial condition and results of operations.

Item 1B. Unresolved Staff Comments

Not applicable

Item 2. Properties

At December 31, 2020, 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 two loan production offices in northwest and central Ohio listed below.

Full Service Branch Locations:

Bowling Green	**Leipsic**
1300 North Main Street	318 South Belmore Street
Columbus Grove	**Lima**
100 South High Street	701 Shawnee Road
Drive-Thru Facility	1410 Bellefontaine Avenue
101 Progressive Drive	3211 Elida Road
Delaware	**Marion**
30 Coal Bend Road	111 South Main Street
	220 Richland Road
Delphos	
114 East Third Street	**Westerville**
	468 Polaris Parkway
Findlay	**Ottawa**
1500 Bright Road	245 West Main Street
Gahanna	**Paulding**
461 Beecher Road	103 East Perry Street
Gibsonburg	**Pemberville**
230 West Madison Street	132 East Front Street
Kalida	
110 East North Street	
Loan Production Offices:	
Plymouth	**Worthington**
2660 US Highway 224 Suite 3	6797 North High Street

Item 3. Legal Proceedings

As of March 5, 2021, 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 2020 ("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, 2020:

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)
10/01/2020 - 10/31/2020	-	$ -	401,554	198,446
11/01/2020 - 11/30/2020	-	$ -	401,554	198,446
12/01/2020 - 12/31/2020	-	$ -	401,554	198,446

(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, and 200,000 shares on December 17, 2014. The Plan authorizes the Corporation to repurchase up to 600,000 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 2020 ("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 2020 ("Annual Report"), which is included herein as Exhibit 13.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Item 8. Financial Statements and Supplementary Data

The information required herein is incorporated by reference from pages 21 through 65 of United Bancshares' Annual Report to Shareholders for 2020 ("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, 2020. 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, 2020, 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, 2020, 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 quarter ended December 31, 2020, 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, 2021, in preparation for the 2020 Annual Meeting of Shareholders scheduled for April 28, 2021. 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

The information required herein concerning Directors and Executive Officers is contained under the captions "Proposal Number 1: Election of Directors", Executive Officers, "Director and Nominee Qualifications" and "Board of Directors Independence, Certain Relationships and Related Party Transactions" of the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

Information required by this item concerning the Corporation's Audit Committee is contained under the caption "Committees of the Board of Directors - Audit Committee" of the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021 which is incorporated herein by reference.

Information required by this item concerning compliance with section 16(a) of the Securities Exchange Act of 1934, as amended, is contained under the caption "Delinquent Section 16(a) Reports" in the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

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 Financial Officers. The Board of Directors reviews the Code of Ethics annually with the most recent review performed in February 2021. A copy of the Code of Ethics is available on the Corporation's website at https://www.theubank.com.

Item 11. Executive Compensation

The information required herein concerning Directors and Executive Officers of the Corporation is contained under the caption "Compensation of Named Executive Officers" and "Director Compensation" in the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

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

The information required herein is contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

	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	157,817	$ 19.83	89,228
Equity compensation plans not approved by security holders	-	-	-
Total	157,817	$ 19.83	89,228

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.

Information required by this item concerning director independence is contained under the caption "Board of Directors Independence, Certain Relationships and Related Party Transactions" in the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item is contained under the caption "Independent Public Accountants" in the Corporation's definitive proxy statement relating to the Annual Meeting of Shareholders to be held April 28, 2021, which is incorporated herein by reference.

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 18 through 60 of the Corporation's 2020 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, 2020 and 2019
Consolidated Statements of Income - Years ended December 31, 2020, 2019, and 2018
Consolidated Statements of Comprehensive Income - Years ended December 31, 2020, 2019, and 2018
Consolidated Statements of Shareholders' Equity - Years ended December 31, 2020, 2019, and 2018
Consolidated Statements of Cash Flows - Years ended December 31, 2020, 2019, and 2018
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	(7)
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	(7)
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	(7)
10.7	Change in Control Agreement- Stacy A. Cox	(6)
13	2020 Annual Report to Shareholders	
21	Subsidiaries	
23	Consent of Independent Registered Public Accounting Firm	
31.1	Rule 13a-14(a)/15d-14(a) CEO's Certification	
31.2	Rule 13a-14(a)/15d-14(a) CFO's Certification	
32.1	Section 1350 CEO's Certification	
32.2	Section 1350 CFO's Certification	
101.INS	XBRL Instance Document (a)	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation	
101.DEF	XBRL Taxonomy Extension Definition	
101.LAB	XBRL Taxonomy Extension Label	
101.PRE	XBRL Taxonomy Extension Presentation	

(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 8-K filed February 19, 2019.
(7) 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, CEO, President

By: /s/ STACY A. COX
Stacy A. Cox
Chief Financial Officer

Date: March 5, 2021

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 5, 2021
/s/ HERBERT H. HUFFMAN Herbert H. Huffman	Director	March 5, 2021
/s/ H. EDWARD RIGEL H. Edward Rigel	Director	March 5, 2021
/s/ R. STEVEN UNVERFERTH R. Steven Unverferth	Director	March 5, 2021
/s/ ROBERT L. BENROTH Robert L. Benroth	Director	March 5, 2021
/s/ DAVID P. ROACH David P. Roach	Director	March 5, 2021
/s/ DANIEL W. SCHUTT Daniel W. Schutt	Director	March 5, 2021

Exhibit 13
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Shareholders, Clients, and Team Members:

Despite the unprecedented operating environment, I am pleased to report that as a result of the efforts of our team members your Company had another successful year. In addition to reporting income before taxes of approximately $16.7 million, return on average tangible equity of 18.53% and return on average assets of 1.42%, all noticeable increases from previous years, your Company also repaid $50 million in FHLB advances, allocated a $6.2 million provision to its allowance for loan losses, and provided more than $125 million in funding to over 1,600 organizations through the Paycheck Protection Program.

Your Company posted record profits for the second consecutive year. Improved year over year results in gain on loan sales ($15.1 million), Paycheck Protection Program loan origination fees ($2.4 million) and decreased deposit interest expense ($2.4 million), were more than sufficient to offset the increased costs of FHLB prepayment penalties ($1 million), non-interest expenses ($6.0 million), and provision for loan losses ($5.7 million). Additionally, the Company maintained better than peer credit quality metrics.

We are also very pleased with the results of the Company's expansion into Paulding County during the third quarter of 2020. The Company experienced better than expected growth in deposits and loans and we expect to have our permanent location renovated by the end of 2021. We also implemented a new technology in that market by establishing the Company's first Interactive Teller Machine (ITM). The ITM allows clients to connect virtually with tellers from their local retail location to conduct most transactions. Our future strategic plans will include further deployment of this technology.

In 2021, we plan to continue to invest in our most important driver of success, our team members. In addition to further development paths for our current team members, we are always exploring ways to add team members with the desired expertise as we continue to expand in size and complexity. We remain unwavering in the promotion of our core values throughout that process. Those core values are not just a tag line or a feel good cliché, but the driver of our financial successes.

The Company also continues to make investments in technology to create internal efficiencies, reduce the risk of fraud, expand market presence and enhance the client's experience. Such efforts have yielded positive results in our clients' use of technology-based products, especially during the pandemic. 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.

The continued accomplishments of your Company is the undeniable result of the ongoing efforts of the Company's dedicated team members and Board of Directors in implementing our Strategic Plan. Their efforts and our strong corporate values of respect for and accountability to our shareholders, clients, colleagues, and communities are the foundation for the continued success of your Company. Thank you for your ongoing support and the trust you have placed in us.

Respectfully,

Brian D. Young
President & CEO

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 commercial banking and offers a full range of commercial banking services.

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, Ottawa, Paulding, Pemberville, Plymouth, Westerville, and Worthington, Ohio.

United Bancshares, Inc. has traded its common stock on the Nasdaq Markets Exchange under the symbol "UBOH" since March 2001. As of December 31, 2020, the common stock was held by 1,064 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:

Heather Oatman, 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,				
	2020	2019	2018	2017	2016
Statements of income:					
Total interest income	$ 40,030	$ 37,819	$ 34,365	$ 25,772	$ 21,627
Total interest expense	6,988	8,924	6,158	3,118	2,231
Net interest income	33,042	28,895	28,207	22,654	19,396
Provision (credit) for loan losses	6,200	550	450	(350)	(750)
Net interest income after provision (credit) for loan losses	26,842	28,345	27,757	23,004	20,146
Total non-interest income	27,000	15,048	9,428	6,099	4,832
Total non-interest expenses	37,165	31,117	27,436	22,378	17,713
Income before federal income taxes	16,677	12,276	9,749	6,725	7,265
Federal income taxes	2,922	1,615	1,529	2,879	1,744
Net income	$ 13,755	$ 10,661	$ 8,220	$ 3,846	$ 5,521
Per share of common stock:					
Net income - basic	$ 4.21	$ 3.26	$ 2.51	$ 1.18	$ 1.68
Dividends	0.51	0.52	0.48	0.48	0.44
Book value	$ 34.11	$ 29.00	$ 24.76	$ 23.17	$ 22.21
Average shares outstanding - basic	3,270,996	3,270,878	3,268,667	3,267,305	3,289,497
Average shares outstanding - diluted	3,306,503	3,277,198	3,269,834	3,272,310	3,289,497
Year end balances:					
Loans (1)	$ 652,530	$ 591,725	$ 569,319	$ 508,796	$ 377,596
Securities (2)	200,178	188,913	172,656	174,730	195,035
Total assets	978,532	880,014	830,300	780,450	633,119
Deposits	838,378	707,134	666,236	630,548	524,680
Shareholders' equity	111,599	94,781	80,944	75,704	72,558
Average balances:					
Loans (1)	663,097	582,377	540,687	421,564	361,437
Securities (2)	185,847	179,075	173,592	189,815	191,813
Total assets	967,828	861,693	802,989	683,164	614,688
Deposits	792,938	694,857	647,987	565,710	519,102
Shareholders' equity	101,631	86,652	76,142	75,597	74,067
Selected ratios:					
Net yield on average interest earning assets (3)	3.77%	3.75%	3.96%	3.80%	3.59%
Return on average assets	1.42%	1.24%	1.02%	0.56%	0.90%
Return on average shareholders' equity	13.53%	12.30%	10.80%	5.09%	7.45%
Net loan charge-offs (recoveries) as a percentage of average outstanding net loans	0.05%	(0.01)%	(0.04)%	0.04%	(0.07)%
Allowance for loan losses as a percentage of year end loans (4)	1.58%	0.72%	0.63%	0.56%	0.89%
Shareholders' equity as a percentage of total assets	11.40%	10.77%	9.75%	9.70%	11.46%

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
5) Financial data for 2017 and subsequent years includes the impact of the Benchmark Bancorp acquisition.

Forward-looking Statements

This report includes certain forward-looking statements by the Corporation relating to such matters as anticipated operating results, prospects for new lines of business, technological developments, economic trends (including interest rates), and similar matters. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements, and the purpose of this paragraph is to secure the use of the safe harbor provisions. While the Corporation believes that the assumptions underlying the forward looking statements contained herein and in other public documents are reasonable, any of the assumptions could prove to be inaccurate, and accordingly, actual results and experience could differ materially from the anticipated results or other expectations expressed by the Corporation in its forward-looking statements. Factors that could cause actual results or experience to differ from results discussed in the forward-looking statements include, but are not limited to: economic conditions, volatility and direction of market interest rates, governmental legislation and regulation, material unforeseen changes in the financial condition or results of operations of the Corporation's customers, customer reaction to and unforeseen complications with respect to the integration of acquisition, product design initiative, and other risks identified, from time-to-time in the Corporation's other public documents on file with the Securities and Exchange Commission.

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 subsidiary, The Union Bank Company (the "Bank"). 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 2 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.

Recent Developments

The progression of the COVID-19 pandemic in the United States began to have an adverse impact on the local and national economy during the latter part of the first quarter of 2020 and will likely have a complex and potentially adverse impact on the economy, the banking industry and our Corporation in future fiscal periods, all subject to a high degree of uncertainty.

Our primary banking market area is Northwestern and Central Ohio. In Ohio, the Governor ordered individuals to stay at home and non-essential businesses to cease all activities, in each case subject to limited exceptions. This order went into effect on March 15, 2020, and was effective through May 1, 2020. In response to this order, the Bank continued to serve its customers through its drive-up windows at various branch locations and through online and mobile banking and many of the Corporation's employees continue to work remotely.

Like most states, Ohio experienced a dramatic and sudden increase in unemployment levels as a result of the curtailment of business activities in mid-March 2020, with unemployment rising from an average of 4.1% in January 2020 to an average of 17.6 % in April 2020, before gradually dropping back down to 5.5% in December 2020, according to the U.S. Bureau of Labor Statistics. While unemployment rates have returned to lower levels in recent months, it is very possible a repeat of the high unemployment rates could be experienced especially if there is another shutdown similar to what was experienced in March and April of 2020. While many of the public health and economic effects of COVID-19 have been concentrated in the largest U.S. cities, there has been a recent rise in COVID-19 cases in many rural areas throughout the Country including some of the Corporation's market area. It is still not possible to fully determine what effects this will have within the smaller cities and communities where many of our banking operations are focused.

Federal, state and local governments and regulatory authorities have enacted and issued a range of policy responses to the COVID-19 pandemic, including the following:

- The Federal Reserve decreased the range for the Federal Funds Target Rate by 0.50% on March 3, 2020, and by another 1.0% on March 16, 2020, reaching a current range of 0.0 – 0.25%.
- On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, which established a $2.0 trillion economic stimulus package, including cash payments to individuals, supplemental unemployment insurance benefits and a $349 billion loan program administered through the U.S. Small Business Administration (SBA), referred to as the paycheck protection program, or PPP program. Under the PPP program, small businesses, sole proprietorships, independent contractors and self-employed individuals could apply for loans from existing SBA lenders and other approved regulated lenders who enrolled in the program, subject to limitations and eligibility criteria. The Bank participated as a lender in the PPP program, originating $125.7 million in loans to over 1,600 borrowers during 2020. In addition, the CARES Act provided financial institutions the option to suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time to account for the effects of COVID-19.
- On April 7, 2020, federal banking regulators issued a revised Interagency Statement on Loan Modifications and Reporting for Financial Institutions, which, among other things, encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19, and stated that institutions generally do not need to categorize COVID-19-related modifications as TDRs and that the agencies will not direct supervised institutions to automatically categorize all COVID-19 related loan modifications as TDRs.
- On April 9, 2020, the Federal Reserve announced additional measures aimed at supporting small and midsized business, as well as state and local governments impacted by COVID-19. The Federal Reserve announced the Main Street Business Lending Program, which establishes two new loan facilities intended to facilitate lending to small and midsized businesses: (1) the Main Street New Loan Facility, or MSNLF, and (2) the Main Street Expanded Loan Facility, or MSELF. MSNLF loans are unsecured term loans originated on or after April 8, 2020, while MSELF loans are provided as upsized tranches of existing loans originated before April 8, 2020. The program is designed for businesses with up to 10,000 employees or $2.5 billion in 2019 revenues. To obtain a loan, borrowers must confirm that they are seeking financial support because of COVID-19 and that they will not use proceeds from the loan to pay off debt. The Federal Reserve also stated that it would provide additional funding to banks offering PPP loans to struggling small businesses. Lenders participating in the PPP can exclude loans financed by the facility from their leverage ratio. In addition, the Federal Reserve created a Municipal Liquidity Facility to support state and local governments with up to $500 billion in lending, with the Treasury Department backing $35 billion for the facility using funds appropriated by the CARES Act. The facility makes short-term financing available to cities with a population of more than one million or counties with a population of greater than two million. The Federal Reserve expanded both the size and scope of its Primary and Secondary Market Corporate Credit Facilities to support up to $750 billion in credit to corporate debt issuers.
- On December 27, 2020, President Trump signed into law the 2021 Consolidated Appropriations Act, which represents the latest round of COVID-19 relief, authorizing more than $900 billion in economic aid to small businesses and consumers—the second largest stimulus in history, behind only the CARES (Coronavirus Aid Relief and Economic Security) Act that Congress enacted in March. The bill also includes appropriations provisions to keep the government funded through September 30, 2021, as well as a host of miscellaneous items. The aspects of the legislation most applicable to the banking industry include the following:
  - An additional $284.6 billion in Paycheck Protection Program (PPP) funding for loans to small businesses, including for borrowers who have previously received a PPP loan.
  - A one-page simplified forgiveness process for PPP loans under $150,000.
  - Clarification to various CARES Act provisions, the tax treatment of PPP expenses, lender responsibilities for agent fees, and lender “hold harmless” protections under the PPP and other laws.
  - A further delay in Troubled Debt Restructuring (TDR) accounting until 60 days after the termination of the national emergency, or January 1, 2022.
  - A further optional delay in Current Expected Credit Loss (CECL) accounting until January 1, 2022.
  - A new round of Economic Impact Payments (EIPs) for consumers, with aggressive distribution timelines and new exemptions from garnishments.
  - Significant added support for Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).
  - Funding for agricultural support programs and for renter assistance programs.
  - Termination of existing Federal Reserve emergency lending authority under the CARES Act, while preserving the Fed’s general 13(3) emergency authority existing prior to that Act.

We believe the COVID-19 pandemic and the specific developments referred to above could have a significant adverse impact on our business in the near future. In particular, we anticipate that a significant portion of the Bank's borrowers in the retail, restaurants, and hospitality industries may endure significant economic distress, causing them to draw on their existing lines of credit, adversely affecting their ability and willingness to repay existing indebtedness, and adversely impacting the value of collateral. These developments, together with general economic conditions may also impact our commercial real estate portfolio, particularly with respect to real estate with exposure to these industries, our consumer loan business and loan portfolio, and the value of certain collateral securing our loans. We anticipate that our financial condition, capital levels and results of operations could be adversely affected going forward. The low interest rate environment during the second and third quarters of 2020 enabled the Corporation to originate a record number of mortgage loans resulting in $24.1 million of gains on sale of loans during the year ended December 31, 2020. The Corporation's 2020 results were also bolstered by the aforementioned PPP loan origination activity, including amortization into interest income of $2.4 million of PPP loan origination fees.

We have taken numerous steps in response to the COVID-19 pandemic, including the following:

- We offered 90 day payment deferrals and interest only payment options for consumer, small business, and commercial customers. We also offered payment extensions of up to 90 days for mortgage customers. Through December 31, 2020, we have modified or extended 152 loans, approximating $57.7 million through these programs.
- We formed a Business Continuity Planning COVID-19 Response team which meets regularly to manage the Corporation's response to the pandemic and the effect on our business. In addition, cross functional task force teams met as needed to address specific issues such as employee and client communications, facilities, and branch services and to discuss the effect on our business.
- We participated in the SBA's Paycheck Protection Program. In the first round of PPP loans, we originated $125.7 million in loans to over 1,600 borrowers. We commenced participating in the second round of PPP loans beginning January 19, 2021.
- In response to the outbreak and business disruption, first and foremost, we have prioritized the safety, health and well-being of our employees, customers, and communities. We have implemented a work from home policy, we have implemented protective measures for customers who choose branch access and we continue to serve customers through our drive-up locations and digital platforms.

Financial Condition

Consolidated assets for the Corporation and the Bank totaled $978.5 million at December 31, 2020, compared to $880.0 million at December 31, 2019, representing an increase of $98.5 million or 11.2%. The increase in total assets was primarily the result of an increase of $51.8 million (9.1%) in net loans, $30.6 million (115.9%) in cash and cash equivalents, $11.0 million (6.0%) in securities available for sale and $3.1 million (20.4%) in loans held for sale. Deposits during this same period increased $131.2 million (18.6%), other borrowings decreased $51.0 million (86.8%), and shareholders' equity increased $16.8 million (17.7%). The increase in loans included the impact of the Corporation originating $125.7 million of PPP loans during the second and third quarters of 2020. These loans have also had a positive impact on deposit balances. The increase in loans held for sale is a result of the significant increase in mortgage banking activity experienced throughout the majority of 2020.

Loans and Leases

At December 31, 2020, total loans and leases, including loans and leases held for sale, amounted to $652.5 million compared to $591.7 million at December 31, 2019, an increase of $60.8 million (10.3%). The following categories within the loan and lease portfolio represent the majority of the change during 2020: Commercial loans increased $63.6 million (81.9%), commercial and multi-family real estate increased $7.2 million (2.0%), and loans held for sale increased $3.1 million (20.4%). This growth was offset by decreases in residential real estate of $11.8 million (9.6%) and consumer loans of $1.3 million (16.0%).

Excluding PPP loans, loan demand was relatively soft in 2020 and may decline further in 2021 as a result of COVID-19. Resulting uncertainties in economic conditions in our market areas may lead to reductions in the growth of our commercial and industrial loan, commercial real estate loan, residential real estate loan and consumer loan portfolios. As of December 31, 2020 648 PPP loans with balances of approximately $52.8 million have been forgiven. The first round of PPP loan balances will most likely decrease significantly over the next six months to a year as the forgiveness process continues. This decrease will be offset by the PPP loans currently being originated. We are also anticipating that we could see increased line of credit utilization and a reduction in our unused commitments.

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.

Securities, including FHLB stock, totaled $200.2 million at December 31, 2020 compared to $188.9 million at December 31, 2019, an increase of $11.3 million (6.0%). The portfolio experienced an increase in net unrealized gains on securities of $5.7 million during 2020.

The Corporation is required to maintain a certain level of FHLB stock based on outstanding borrowings from the FHLB. FHLB stock is considered a restricted security which is carried at cost and evaluated periodically for impairment. There was $296,000 of FHLB stock purchased during 2020.

At December 31, 2020, the Corporation's investment securities portfolio included $99.8 million in U.S. states and political subdivisions securities, which is $11.8 million (10.6%) lower than shareholders' equity as of that date. The largest exposure to any one state is $15.0 million, or 16%, from issuers located within the state of Wisconsin. 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.

At December 31, 2020 the net unrealized gain on available-for-sale securities amounted to $9.3 million compared to $3.6 million at December 31, 2019. At December 31, 2020, the Corporation held 4 securities which were in a loss position with the fair value of $2.6 million and gross unrealized losses of $6,000. Management has considered the current interest rate environment, typical volatility in the bond market, and the Corporation's liquidity needs in the near term in concluding that the impairment on these securities is temporary.

Cash and Cash equivalents

Cash and cash equivalents at December 31, 2020 were $57.0 million, a $30.6 million (115.9%) increase from $26.4 million at December 31, 2019. The increase is due to an increase of overnight funds on deposit at the Federal Reserve.

Deposits

Total deposits at December 31, 2020 were $838.4 million, an increase of $131.2 million (18.6%) compared with total deposits of $707.1 million at December 31, 2019. The increase in deposits consisted of a $61.6 million increase in interest bearing deposits and a $69.6 million increase in non-interest bearing deposits. The significant increase in deposits during 2020 is somewhat attributable to customer deposits from PPP loan proceeds and we expect that short term deposit levels may increase further due to the second round of PPP loans. In future periods deposits may decrease if the conditions in our market areas become distressed relating to the COVID-19 pandemic.

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, 2020 consist of term borrowings from another bank of $7,750,000. Other borrowings at December 31, 2019, included FHLB secured advances of $50.0 million and $8,750,000 of term borrowings from another bank which were used to facilitate the 2017 Benchmark acquisition and are payable in quarterly installments of $250,000 with any remaining principal due in September 2022. Management plans to maintain access to various borrowing alternatives as an appropriate funding source.

Shareholders' Equity

Total shareholders' equity increased $16.8 million (17.7%) to $111.6 million at December 31, 2020 compared to $94.8 million at December 31, 2019. The increase was primarily a result of 2020 net income of $13.8 million and other comprehensive income, net of tax of $4.5 million, offset by the declaration of $1.7 million in common stock dividends. The increase in unrealized securities gains was largely attributable to the Federal Reserve decreasing the Federal Funds Target Rate by 150 basis points (1.50%) during March 2020, in response to the COVID-19 pandemic.

Results of Operation – 2020 Compared to 2019

Performance Summary

Consolidated net income for the Corporation was $13.8 million in 2020 compared to $10.7 million in 2019 and $8.2 million in 2018.

Net income in 2020, as compared to 2019 was favorably impacted by increases in net interest income of $4.1 million and non-interest income of $12.0 million, offset by increases in non-interest expenses of $6.0 million and provision for loan losses of $5.7 million. The increase in net interest income resulted from Paycheck Protection Program (PPP) loans, including fees of $2.4 million, as well as a decrease in deposit interest rates. Non-interest income increased due to the low mortgage rate interest environment created by the Federal Reserve's lowering of Federal funds target rates and resulted in markedly increased mortgage banking profitability. The increase in the provision for loan losses was due to an increase in qualitative factors applied to the outstanding loan balances in response to uncertainties related to COVID-19.

The Corporation's return on average assets was 1.42% in 2020, compared to 1.24% in 2019, and 1.02% in 2018. The Corporation's return on average tangible shareholders' equity was 18.53% in 2020, 18.49% in 2019, and 16.79% in 2018. Basic net income per share was $4.21 per share in 2020, an increase of $0.95 per share from $3.26 in 2019. Basic net income per share of $3.26 in 2019 represented an increase of $0.75 per share from $2.51 in 2018. Changes in these amounts from year to year were generally reflective of changes in the level of net income.

Net Interest Income

Net interest income, which represents the revenue generated from interest-earning assets in excess of the interest cost of funding those assets, is the Corporation's principal source of income. Net interest income is influenced by market interest rate conditions and the volume and mix of interest-earning assets and interest-bearing liabilities. Many external factors affect net interest income and typically include the strength of client loan demand, client preference for individual deposit account products, competitors' loan and deposit product offerings, the national and local economic climates, and Federal Reserve monetary policy.

Net interest income for 2020 was $33.0 million, an increase of $4.1 million (14.4%) from 2019. The increase in net interest income in 2020 was attributable to an increase in interest income of $2.2 million and a $1.9 million decrease in interest expense. Interest income increased $2.4 million in 2020 from loan fees generated through PPP loan originations. The remaining $1.4 million of fees received from the SBA have been deferred and are being amortized into interest income over the life of the loans. The bulk of the income resulting from PPP loans is from the SBA fees payable in connection with the origination of the loans, and not from interest to be paid on such loans from the borrower, as management expects most of its PPP loan portfolio to be forgiven. The average interest-earning assets increased $110.0 million to $891.9 million in 2020 compared to $781.9 million in 2019. The yield on average earning assets was 4.55% in 2020 compared to 4.89% in 2019. Total average interest-bearing liabilities increased $40.4 million to $688.2 million in 2020 compared to $647.8 million in 2019, and the cost of interest bearing liabilities decreased 36 basis points to 1.02% in 2020 compared to 1.38% in 2019.

Provision for Loan and Lease Losses and the Allowance for Loan and Lease 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, ensure 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 and lease 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 and lease 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 and lease losses at December 31, 2020 was $10.0 million, or 1.58% of total loans, compared to $4.1 million, or 0.72% of total loans at December 31, 2019. The change in the allowance for loan and lease losses during 2020 included a $6.2 million provision for loan losses and net charge-offs of $337,000.

The provision for loan and lease 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 and lease losses and a negative provision, or credit, being reflected in current operations. The provision for loan and lease losses of $6.2 million in 2020 was a $5.7 million increase compared to the provision of $550,000 in 2019. This increase was due to an increase in qualitative factors applied to the outstanding loan balances in response to uncertainties related to COVID-19.

Management believes there is a possibility that the provision for loan losses could further increase in future periods based on the significant potential for the credit quality of our loan portfolio to decline and loan defaults to increase as a result of economic conditions created by the COVID-19 pandemic.

Impaired loans, principally consisting of commercial and commercial real estate, amounted to $3,025,000 at December 31, 2020. Impaired loans at December 31, 2020 included $139,000 of loans with no specific reserves included in the allowance for loan losses and $2,886,000 of loans with specific reserves of $255,000 included in the Corporation's December 31, 2020 allowance for loan losses. Total impaired loans of $2,778,000 at December 31, 2019 included $848,000 of loans with no specific reserves included in the allowance for loan losses and $1,930,000 of loans with specific reserves of $435,000 included in the Corporation's December 31, 2019 allowance for loan losses.

In addition to impaired loans, the Corporation had other potential problem credits of $19.4 million at December 31, 2020 compared to $4.9 million at December 31, 2019, an increase of $14.5 million (295.9%). The Corporation’s credit administration department continues to closely monitor these credits.

Non-Interest Income

Total non-interest income increased $12.0 million (79.4%) to $27.0 million in 2020 from $15.0 million in 2019, which was primarily attributable to increases in gain on sale of loans of $15.1 million and gain on sales of securities of $285,000, offset by a decrease in other operating income of $3.4 million.

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 was $1.1 million in 2020 compared to $1.5 million in 2019.

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 2020, gain on sale of loans was $24.1 million, including $690,000 of capitalized servicing rights. Gain on sale of loans was $9.1 million in 2019, including $192,000 of capitalized servicing rights. The significant increase in gain on sale of loans was attributable to increased loan origination and sales activities within the residential mortgage and governmental lending operations along with an increase in the average gain on sale per loan. During the year ended December 31, 2020 there were 2,557 loans sold totaling $610 million compared to 1,692 loans sold totaling $272 million for the same period in 2019. The average loan sale gain approximated $9,400 per loan in 2020 compared to approximately $5,400 for the same period of 2019. The increased loan origination and sales activity is attributable to the extremely low mortgage interest rate environment created by the Federal Reserve's lowering of Federal funds target rates in March 2020. As a consequence, this level of mortgage banking activity or profitability is not likely sustainable in the long-term. We also anticipate that our non-interest income may be adversely affected in future periods as a result of the COVID-19 pandemic. Increased unemployment and recessionary concerns may adversely affect mortgage originations and mortgage banking revenue in future periods.

The Corporation’s serviced portfolio increased $59.2 million during 2020 to $234.9 million at December 31, 2020.

The Corporation reports its mortgage servicing rights using the fair value measurement method. As a result, the Corporation recognized a $293,000 decrease in the fair value of mortgage servicing rights during 2020, compared to a $258,000 decrease in the fair value of mortgage servicing rights in 2019. 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, 2020 the PSA factor was 365 compared to 214 at December 31, 2019.

Gain on sales of securities were $289,000 in 2020 compared to $4,000 in 2019. In response to possible liquidity concerns at the time, the Corporation sold certain investment securities during the second quarter of 2020.

Other operating income decreased $3.0 million to $1.4 million in 2020 from $4.4 million in 2019. The decrease in other non-interest income resulted from the Corporation's settlement of claims related to prior year tax adjustments, which resulted in a one-time net income recovery of $1,980,000 during the fourth quarter of 2019. Income from the Corporation's loan hedging program decreased $1.3 million as there was a loss of $1.5 million in 2020 compared to a loss of $190,000 in 2019.

Non-Interest Expenses

For the year ended December 31, 2020, non-interest expenses totaled $37.2 million, compared to $31.1 million for the same period of 2019, an increase of $6.1 million (19.4%) which was primarily attributable to increases in salaries and benefits expense of $3.5 million (18.6%), loan fees of $682,000 (50.3%), data processing expenses of $323,000 (21.9%), equipment service expense of $298,000 (58.8%), advertising and marketing expense of $273,000 (15.3%), and consultant fees of $200,000 (225.3%).

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 2020 was $2.9 million an effective tax rate of 17.5%, compared to $1.6 million in 2019, an effective rate of 13.2%. The increase in the effective tax rate in 2020 as compared to 2019 resulted from the Corporation's $1,980,000 settlement claim being tax exempt in 2019.

Results of Operation – 2019 Compared to 2018

Performance Summary

Consolidated net income for the Corporation was $10.7 million in 2019 compared to $8.2 million in 2018.

Net income in 2019, as compared to 2018 was favorably impacted by increases in net interest income of $688,000 and non-interest income of $5.6 million, offset by increases in non-interest expenses of $3.7 million and provision for loan losses of $100,000.

The Corporation's return on average assets was 1.24% in 2019, compared to 1.02% in 2018. The Corporation's return on average tangible shareholders' equity was 18.49% in 2019 and 16.79% in 2018. Basic net income per share was $3.26 per share in 2019, an increase of $0.75 per share from $2.51 in 2018. Basic net income per share of $2.51 in 2018 represented an increase of $1.33 per share from $1.18 in 2017. Changes in these amounts from year to year were generally reflective of changes in the level of net income.

In August 2018, the Corporation completed a review of the accounting and tax implications of the 2017 Benchmark acquisition transaction and determined its liability for federal income tax associated with the transaction was approximately $3.2 million greater than estimated at the time of the acquisition. As a result, consistent with measurement date purchase accounting adjustments for business combinations as required by ASC 805 and ASU No. 2015-16, the Corporation recorded the additional tax liability, as well as certain other measurement date deferred tax adjustments, during the third quarter of 2018 with a corresponding $3,413,000 increase to goodwill. The Company recorded a settlement of claims arising from these adjustments, which resulted in recording a one-time other non-interest income recovery of $1,980,000 during the fourth quarter of 2019.

Net Interest Income

Net interest income for 2019 was $28.9 million, an increase of $688,000 (2.4%) from 2018. The increase in net interest income was primarily due to growth in interest earning assets which outpaced the rising cost of interest earning liabilities. Total average interest-earning assets increased $59.0 million to $781.9 million in 2019 from $722.9 in 2018. The yield on average interest-earning assets, on a tax-equivalent basis, increased 8 basis points in 2019 to 4.89% from 4.81% in 2018. Total average interest-bearing liabilities increased $33.5 million to $647.8 million in 2019 compared to $614.3 million in 2018, and the cost of interest bearing liabilities increased 38 basis points to 1.38% in 2019 compared to 1.00% in 2018.

Provision for Loan and Lease Losses and the Allowance for Loan and Lease Losses

The allowance for loan and lease losses at December 31, 2019 was $4.1 million, or 0.72% of total loans, compared to $3.5 million, or 0.63% of total loans at December 31, 2018. The change in the allowance for loan and lease losses during 2019 included a $550,000 provision for loan losses and loan recoveries, and net recoveries of $54,000.

The provision for loan and lease losses of $550,000 in 2019 was a $100,000 increase compared to the provision of $450,000 in 2018. The increase was primarily attributable to loan growth of $14.8 million during 2019 and an increase in the specific reserve on impaired loans.

Impaired loans, principally consisting of commercial and commercial real estate, amounted to $2,778,000 at December 31,2019. Impaired loans at December 31,2019 included $848,000 of loans with no specific reserves included in the allowance for loan losses and $1,930,000 of loans with specific reserves of $435,000 included in the Corporation's December 31, 2019 allowance for loan losses. Total impaired loans of $1,331,000 at December 31, 2018 included $959,000 of loans with no specific reserves included in the allowance for loan losses and $372,000 of loans with specific reserves of $128,000 included in the Corporation's December 31, 2018 allowance for loan losses.

In addition to impaired loans, the Corporation had other potential problem credits of $4.9 million at December 31, 2019 compared to $6.7 million at December 31, 2018, a decrease of $1.8 million (26.9%). The Corporation's credit administration department continues to closely monitor these credits.

Non-Interest Income

Total non-interest income increased $5.6 million (59.6%) to $15.0 million in 2019 from $9.4 million in 2018, which was primarily attributable to increases in gain on sale of loans of $4.4 million and other non-interest operating income of $1.6 million.

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 was $1.5 million in 2019 compared to $1.6 million in 2018.

During 2019, gain on sale of loans was $9.1 million, including $192,000 of capitalized servicing rights. Gain on sale of loans was $4.7 million in 2018, including $164,000 of capitalized servicing rights. A significant contributing factor to the increase in gain on sale of loans was the favorable rate environment for refinancing existing mortgages and the growth of the residential mortgage and governmental lending operations. The Corporation's serviced portfolio increased $2.5 million during 2019 to $175.7 million at December 31, 2019.

The Corporation recognized a $258,000 decrease in the fair value of mortgage servicing rights during 2019, compared to a $26,000 increase in the fair value of mortgage servicing rights in 2018. 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, 2019 the PSA factor was 214 compared to 136 at December 31, 2018.

Other operating income increased $1.6 million to $4.4 million in 2019 from $2.7 million in 2018. The increase in other non-interest income resulted from the Corporation's settlement of claims related to prior year tax adjustments, which resulted in a one-time net income recovery of $1,980,000 during the fourth quarter of 2019.

Non-Interest Expenses

For the year ended December 31, 2019, non-interest expenses totaled $31,117,000, compared to $27,436,000 for the same period of 2018, an increase of $3,681,000 (13.4%) which was primarily attributable to increases in salaries and benefits expense of $2,762,000 (17.4%), loan fees of $433,000 (46.9%), legal fees of $77,000 (24.3%), consultant fees of $93,000, ATM processing and other fees of $101,000 (15.2%), and information technology expenses of $105,000 (92.0%), offset by a decrease in the FDIC assessment of $185,000 (69.9%).

Provision for Income Taxes

The provision for income taxes for 2019 was $1.6 million an effective tax rate of 13.2%, compared to $1.5 million in 2018, an effective rate of 15.7%. The decrease in the effective tax rate in 2019 as compared to 2018 resulted from the Corporation's $1,980,000 settlement in claim in 2019 being tax exempt.

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 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 and lease 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 2020, 2019, and 2018 follows.

The Corporation generated cash from operating activities of $17.2 million in 2020, $3.6 million in 2019, and $5.1 million in 2018.

Net cash flows used in investing activities amounted to $65.1 million in 2020, $26.1 million in 2019, and $58.4 million in 2018. 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. Significant investing cash flow activities in 2019 included $11.3 million of net cash outflows resulting from securities purchases, net of proceeds received from sales and maturities and $14.1 million of net cash outflow to fund net loan growth. Significant investing cash flow activities in 2018 included $53.8 million of net cash outflow to fund net loan growth.

Net cash flows provided by financing activities amounted to $78.5 million in 2020, $32.4 million in 2019, and $42.5 million in 2018. 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 $1,668,000 in cash dividends paid. Net cash provided by financing activities in 2019 primarily resulted from an increase in deposits of $41.0 million offset by payments on other borrowings of $6.7 million and $1,702,000 in cash dividends paid. Net cash provided by financing activities in 2018 primarily resulted from an increase in deposits of $35.9 million and other borrowings of $8.3 million, offset by $1,568,000 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, 2020 is approximately 87% which means the Corporation has more liabilities than assets re-pricing within one year. Under the current low interest rate environment, 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.

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.

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.

As previously noted, a detailed analysis to assess the adequacy of the allowance for loan losses is performed. This analysis encompasses a variety of factors including the potential loss exposure for individually reviewed loans, the historical loss experience for each loan category, the volume of non-performing loans, the volume of loans past due 30 days or more, a segmentation of each loan category by internally-assigned risk grades, an evaluation of current local and national economic conditions, any significant changes in the volume or mix of loans within each category, a review of the significant concentrations of credit, and any legal, competitive, or regulatory concerns.

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, 2020, 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, 2020.

Mortgage servicing rights are recognized when acquired through sale of mortgage loans and are reported at fair value. Changes in fair value are reported in net income for the period the changes occur. 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. The Corporation has engaged an independent consultant to calculate the fair value of mortgage servicing rights on a quarterly basis. Management regularly reviews the calculation, including assumptions used in making the calculation, and discusses with the consultant. Management also reconciles information used by the consultant, with respect to the Corporation's serviced portfolio, to the Corporation's accounting records.

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.

Impact of Recent Accounting Pronouncements

A summary of new accounting standards adopted or subject to adoption in 2020, as well as newly-issued but not effective accounting standards at December 31, 2020, 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, 2020:

	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	$ 57,280	$ 55,327	$ 1,364	$ 92	$ 497
Real estate lines-of-credit	98,098	8,977	23,581	8,335	57,205
Consumer lines-of-credit	367	-	-	-	367
Letters of Credit	533	433	100	-	-
Total commitments	$ 156,278	$ 64,737	$ 25,045	$ 8,427	$ 58,069

As indicated in the preceding table, the Corporation had $156.3 million in total loan commitments at December 31, 2020, with $64.8 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, 2020:

	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	$ 20,692	$ 1,000	$ 6,750	$ -	$ 12,942
Operating leases	2,360	325	582	562	891
Time deposits	152,331	109,109	39,298	3,833	91
Deposits without stated maturities	682,498	-	-	-	682,498
Future deferred compensation payments, including interest	1,091	116	136	138	701
Total obligations	$ 858,972	$ 110,550	$ 46,766	$ 4,533	$ 697,123

Long-term debt presented in the preceding table consists of a $7,750,000 term loan with a bank, and $12.9 million of junior subordinated deferrable interest debentures, including $10.3 million issued by the Corporation and $2.6 million assumed from the November 2014 OSB acquisition.

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, as noted in the preceding table, includes the Corporation's agreement with its former Chairman of the Board of Directors to provide for retirement compensation benefits. A deferred compensation liability was also assumed with The OSB acquisition for the benefit of its retired president, with payment that began on May 1, 2010. At December 31, 2020, the net present value of future deferred compensation payments amounted to $818,000, which is included in other liabilities in the December 31, 2020 consolidated balance sheet.

As indicated in the table, the Corporation had no capital lease obligations as of December 31, 2020. The Corporation also has a non-qualified deferred compensation plan covering certain directors and officers, and has provided an estimated liability of $1,571,000 at December 31, 2020 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, 2020:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income	Percentage Change in Net Income
+100	-0.5%	-1.5%
-100	-1.6%	-1.0%
+200	-1.3%	-3.8%
-200	-2.1%	-0.3%
+300	-2.1%	-5.6%
-300	N/A	N/A
+400	-3.0%	-8.1%

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 0.5% and net income would decrease by 1.5%. A 100bp decrease in interest rates would decrease net interest income by 1.6% and decrease net income by 1.0%. 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 1.3% and net income would decrease by 3.8%. A 200bp decrease in interest rates would decrease net interest income by 2.1% and decrease net income by 0.3%. 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 2.1% and net income would decrease by 5.6%. A 300bp decrease in interest rates cannot be simulated at this time due to the historically low interest rate environment and a 400bp increase in interest rates would decrease net interest income by 3.0% and decrease net income by 8.1%. Management does not expect any significant adverse effect to net interest income in 2021 based on the composition of the portfolio and anticipated trends in rates.

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, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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 financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

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 $9,994,000 as of December 31, 2020, consisting of two components (i) specific reserves of $255,000 based on probable losses on impaired loans, and (ii) general reserves of $9,739,000 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.

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 5, 2021

UNITED BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019

	(in thousands except share data) 2020	2019
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 10,446	$ 9,167
Interest-bearing deposits in other banks	46,588	17,245
Total cash and cash equivalents	57,034	26,412
SECURITIES, available-for-sale	194,580	183,611
FEDERAL HOME LOAN BANK STOCK, at cost	5,598	5,302
LOANS HELD FOR SALE	18,427	15,301
LOANS AND LEASES	634,103	576,424
Less allowance for loan and lease losses	9,994	4,131
Net loans and leases	624,109	572,293
PREMISES AND EQUIPMENT, net	19,341	18,789
GOODWILL	28,616	28,616
CORE DEPOSIT INTANGIBLE ASSETS, net	643	794
CASH SURRENDER VALUE OF LIFE INSURANCE	18,981	18,613
OTHER ASSETS, including accrued interest receivable	11,203	10,283
TOTAL ASSETS	$ 978,532	$ 880,014
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 185,915	$ 116,360
Interest-bearing	652,463	590,774
Total deposits	838,378	707,134
Other borrowings	7,750	58,750
Junior subordinated deferrable interest debentures	12,942	12,908
Other liabilities	7,863	6,441
Total liabilities	866,933	785,233
SHAREHOLDERS' EQUITY		
Common stock, stated value $1.00, authorized 10,000,000 shares; issued 3,760,557 shares	3,761	3,761
Surplus	15,438	15,251
Retained earnings	92,716	80,629
Accumulated other comprehensive income	7,355	2,872
Treasury stock, at cost, 488,573 shares at December 31, 2020 and 492,462 shares at December 31, 2019	(7,671)	(7,732)
Total shareholders' equity	111,599	94,781
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 978,532	$ 880,014

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2020, 2019 and 2018

	(in thousands except share data)		
	Year Ended December 31,		
	2020	**2019**	**2018**
INTEREST INCOME			
Loans and leases, including fees	$ 35,696	$ 32,867	$ 29,722
Securities:			
Taxable	1,938	2,601	2,573
Tax-exempt	2,137	1,704	1,557
Other	259	647	513
Total interest income	40,030	37,819	34,365
INTEREST EXPENSE			
Deposits	3,998	6,440	3,849
Borrowings	2,990	2,484	2,309
Total interest expense	6,988	8,924	6,158
Net interest income	33,042	28,895	28,207
PROVISION FOR LOAN AND LEASE LOSSES	6,200	550	450
Net interest income after provision for loan and lease losses	26,842	28,345	27,757
NON-INTEREST INCOME			
Service charges on deposit accounts	1,102	1,486	1,610
Gain on sale of loans	24,139	9,071	4,675
Net securities gains (losses)	289	4	(6)
Change in fair value of mortgage servicing rights	(293)	(258)	26
Increase in cash surrender value of life insurance	368	390	395
Other operating income	1,395	4,355	2,728
Total non-interest income	27,000	15,048	9,428
NON-INTEREST EXPENSES			
Salaries, wages and employee benefits	22,127	18,665	15,903
Occupancy expenses	3,630	3,174	3,155
Other operating expenses	11,408	9,278	8,378
Total non-interest expenses	37,165	31,117	27,436
Income before income taxes	16,677	12,276	9,749
PROVISION FOR INCOME TAXES	2,922	1,615	1,529
NET INCOME	$ 13,755	$ 10,661	$ 8,220
NET INCOME PER SHARE BASIC	$ 4.21	$ 3.26	$ 2.51
NET INCOME PER SHARE DILUTED	$ 4.16	$ 3.25	$ 2.51

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2020, 2019 and 2018

	(in thousands)		
	Year Ended December 31,		
	2020	2019	2018
NET INCOME	$ 13,755	$ 10,661	$ 8,220
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) during period	5,964	5,873	(2,051)
Reclassification adjustments for losses (gains) included in net income	(289)	(4)	6
Other comprehensive income (loss), before income taxes	5,675	5,869	(2,045)
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,192	1,233	(429)
Other comprehensive income (loss)	4,483	4,636	(1,616)
COMPREHENSIVE INCOME	$ 18,238	$ 15,297	$ 6,604

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2020, 2019 and 2018

(in thousands)

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
BALANCE AT DECEMBER 31, 2017	$ 3,761	$ 14,783	$ 64,994	$ (124)	$ (7,710)	$ 75,704
Comprehensive income:						
Net income	-	-	8,220	-	-	8,220
Other comprehensive loss	-	-	-	(1,616)	-	(1,616)
Reclassification for accounting change	-	-	24	(24)		-
Sale of 1,715 treasury shares	-	12	-	-	27	39
Stock option expense	-	165	-			165
Cash dividends declared, $0.48 per share	-	-	(1,568)	-	-	(1,568)
BALANCE AT DECEMBER 31, 2018	3,761	14,960	71,670	(1,764)	(7,683)	80,944
Comprehensive income:						
Net income	-	-	10,661	-	-	10,661
Other comprehensive income	-	-	-	4,636	-	4,636
Repurchase of 4,220 shares	-	-	-	-	(95)	(95)
Sale of 2,957 treasury shares	-	25	-	-	46	71
Stock option expense	-	266	-			266
Cash dividends declared, $0.52 per share	-	-	(1,702)	-	-	(1,702)
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

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020, 2019 and 2018

	(in thousands)		
	Years Ended December 31,		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 13,755	$ 10,661	$ 8,220
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,499	1,240	1,052
Purchase accounting loan discount accretion	(720)	(670)	(1,233)
Deferred income taxes	(789)	529	1,740
Provision for loan losses	6,200	550	450
Gain on sale of loans	(24,139)	(9,071)	(4,675)
Net securities losses (gains)	(289)	(4)	6
Change in fair value of mortgage servicing rights	293	258	(26)
Loss on sale or write-down of other real estate owned	-	40	59
Increase in cash surrender value of life insurance	(368)	(390)	(395)
Net amortization of security premiums and discounts	954	921	792
Stock option expense	164	266	165
Deferred compensation expense	251	210	138
Proceeds from sale of loans held for sale	657,116	281,269	175,288
Originations of loans held for sale	(636,792)	(279,986)	(176,098)
Increase in other assets	(1,248)	(1,259)	(944)
Increase (decrease) in other liabilities	1,330	(941)	610
Net cash provided by operating activities	$ 17,217	$ 3,623	$ 5,149
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of available-for-sale securities	15,538	15,985	21,282
Proceeds from maturities of available-for-sale securities, including paydowns on mortgage-backed securities	41,639	26,724	16,056
Purchases of available-for-sale securities	(63,136)	(54,014)	(38,107)
Purchases of FHLB stock	(296)	-	-
Acquisition of Benchmark Bancorp, Inc.	-	-	(3,413)
Proceeds from sale of other real estate owned	-	68	62
Net increase in loans and leases	(57,296)	(14,086)	(53,797)
Purchases of premises and equipment	(1,580)	(753)	(525)
Net cash used in investing activities	(65,131)	(26,076)	(58,442)

Continued

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	131,285	40,969	35,883
Other borrowings:			
Proceeds from other borrowings	-	-	30,693
Principal payments on other borrowings	(51,000)	(6,693)	(22,398)
Purchase of treasury shares	-	(95)	-
Proceeds from sale of treasury shares	95	71	39
Payments of deferred compensation	(165)	(160)	(155)
Cash paid for cancellation of stock options	(11)	-	-
Cash dividends paid	(1,668)	(1,702)	(1,568)
Net cash provided by financing activities	78,536	32,390	42,494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,622	9,937	(10,799)
CASH AND CASH EQUIVALENTS			
At beginning of year	26,412	16,475	27,274
At end of year	$ 57,034	$ 26,412	$ 16,475
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Cash paid during the year for:			
Interest	$ 7,299	$ 8,986	$ 6,131
Federal income taxes	$ 4,050	$ 700	$ 3,259
Non-cash operating activity:			
Change in deferred income taxes on net unrealized gain or loss on available-for-sale securities	$ (1,192)	$ (1,233)	$ 429
Non-cash investing activities:			
Transfer of loans to other real estate owned	$ -	$ -	$ 70
Non-cash investing and financing activity:			
Recognition of right-of-use lease asset (other assets) and lease liability (other liabilities)	$ 7	$ 2,112	$ -
Change in net unrealized gain or loss on available-for-sale securities	$ 5,675	$ 5,869	$ (2,045)

The accompanying notes are an integral part of the 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"). 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, operates in one industry segment, the commercial banking industry. 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.

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 subsidiary, 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.

Restrictions on Cash

The Corporation was required to maintain cash on hand or on deposit with the Federal Reserve Bank of approximately $1.0 million at December 31, 2019 to meet regulatory reserve and clearing requirements (none was required at December 31, 2020).

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 income (loss).

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. 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, 2020 and 2019.

Loans and Leases

Loans and leases 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 and lease losses. Interest is accrued as earned based upon the daily outstanding principal balance. Loan and lease 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 and leases that are placed on nonaccrual or charged-off is reversed against interest income. Interest on these loans and leases is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans and leases 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 and lease losses charged to income. Loan and lease 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 and leases in light of historical experience, the nature and volume of the loan and lease 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 and leases when the discounted cash flows, collateral value, or observable market price of the impaired loan and lease is lower than the carrying value of that loan or lease. The general component covers classified loans and leases (substandard or special mention) without specific reserves, as well as non-classified loans and leases, 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 and leases 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, 2020, 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 $151,000, $159,000 and $173,000 for the years ended December 31, 2020, 2019 and 2018. Future amortization of core deposit intangible assets for the years 2021 thru 2025 are $143,000, $140,000, $139,000, $121,000 and $38,000, 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 Income (Loss)

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 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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Basic	3,270,996	3,270,878	3,268,667
Diluted	3,306,503	3,277,198	3,269,834

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 loss from hedging activity of $1,532,000 for the year ended December 31, 2020, a net loss of $191,000 for the year ended December 31, 2019, and a net gain of $341,000 for the year ended December 31, 2018 which are included in gain on sale of loans in the consolidated statement of income. A net hedging asset of $2,629,000 as of December 31, 2020 and $943,000 as of December 31, 2019 was included in other assets in the consolidated balance sheet.

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, 2020, but prior to when the consolidated financial statements were issued, that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020 but arose before the financial statements were issued, have not been recognized in the consolidated financial statements for the year ended December 31, 2020.

On January 21, 2021, United Bancshares, Inc. issued a release announcing that its Board of Directors approved a cash dividend of $0.16 per common share payable March 15, 2021 to shareholders of record at the close of business on February 26, 2021.

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. Management has developed four different models for calculating the allowance for loan losses under the requirements of ASU 2016-13 and has been running them parallel to the Bank's existing methodology. Management has not yet determined the expected impact the adoption of ASU 2016-13 will have on the consolidated financial statements. 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.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The guidance in this update eliminates the Step 2 from the goodwill impairment test. For public companies, this update is effective for interim and annual periods beginning after December 15, 2019. The Corporation adopted ASU 2017-04 effective January 1, 2020 but the new guidance did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU eliminates, adds, and modifies certain disclosure requirements for estimated fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfer between Level 1 and Level 2 of the estimated fair value hierarchy, but will be required to disclose the range and weighted-average used to develop significant unobservable inputs for Level 3 estimated fair value measurements. ASU 2018-13 is effective for all entities for interim and annual reporting periods beginning after December 15, 2019. The Corporation adopted ASU 2018-13 effective January 1, 2020. The revised disclosure requirements did not have a significant impact on the consolidated financial statements.

In April, 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, which affects a variety of topics in the Codification and applies to all reporting entities within the scope of the affected accounting guidance. This update is not expected to have a significant impact on the Corporation's consolidated financial statements.

In December, 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for the areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for which financial statements have not yet been issued. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective, or prospective basis. The Corporation is currently reviewing the provisions of this new pronouncement, but does not expect adoption of this guidance to have a material impact on its consolidated financial statements.

In January, 2020, the FASB issued ASU 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments clarify that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. The amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period for which financial statements have not yet been issued. This update is not expected to have a significant impact on the Corporation's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments. This update affects a wide variety of topics in the Codification and applies to all reporting entities within the scope of the affected accounting guidance. This update is not expected to have a significant impact on the Corporation's consolidated financial statements.

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, 2022. 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, 2020 and 2019 are as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
2020		(In Thousands)		
Available-for-sale:				
Obligations of states and political subdivisions	$ 93,406	$ 6,400	$ 1	$ 99,805
Mortgage-backed	90,712	2,904	5	93,611
Other	1,151	13	-	1,164
Total	$ 185,269	$ 9,317	$ 6	$ 194,580
2019		(In Thousands)		
Available-for-sale:				
Obligations of states and political subdivisions	$ 70,043	$ 2,593	$ 82	$ 72,554
Mortgage-backed	108,907	1,292	158	110,041
Other	1,025	-	9	1,016
Total	$ 179,975	$ 3,885	$ 249	$ 183,611

The amortized cost and fair value of securities at December 31, 2020, 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	$ 560	$ 562
Due after one year through five years	6,557	6,712
Due after five years through ten years	23,372	24,614
Due after ten years	153,629	161,528
Other securities having no maturity date	1,151	1,164
Total	$ 185,269	$ 194,580

Securities with a carrying value of $33.6 million at December 31, 2020 and $26.0 million at December 31, 2019 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, 2020 and 2019:

(in thousands)

Securities in a continuous unrealized loss position

	Less than 12 months		**12 months or more**		**Total**	
2020	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Total Fair value**
Obligations of states and political subdivisions	$ 1	$ 413	$ -	$ -	$ 1	$ 413
Mortgage-backed	5	2,203	-	-	5	2,203
Other	-	-	-	-	-	-
Total temporarily impaired securities	$ 6	$ 2,616	$ -	$ -	$ 6	$ 2,616

	Less than 12 months		**12 months or more**		**Total**	
2019	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Total Fair value**
Obligations of states and political subdivisions	$ 82	$ 3,816	$ -	$ -	$ 82	$ 3,816
Mortgage-backed	69	9,633	89	14,808	158	24,441
Other	-	-	9	991	9	991
Total temporarily impaired securities	$ 151	$ 13,449	$ 98	$ 15,799	$ 249	$ 29,248

There were 4 securities in an unrealized loss position at December 31, 2020, none of which were in a continuous unrealized loss position for 12 months or more. There were 29 securities in an unrealized loss position at December 31, 2019, 15 of which were 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, 2020 were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of December 31, 2020 are considered to be temporary.

Gross realized gains from sale of securities, including securities calls, amounted to $289,000 in 2020, $4,000 in 2019, and $90,000 in 2018, with the income tax provision applicable to such gains amounting to $61,000 in 2020, $1,000 in 2019, and $19,000 in 2018. Gross realized losses from sale of securities amounted to $96,000 in 2018 with related income tax effect of $20,000 in 2018. There were no gross realized losses from sale of securities in 2020 or 2019.

NOTE 4 – LOANS AND LEASES

Loans and leases at December 31, 2020 and 2019 consist of the following:

	2020	2019
Residential 1-4 family real estate	$ 111,061	$ 122,905
Commercial and multi-family real estate	374,832	367,614
Commercial	141,280	77,658
Consumer	6,930	8,247
Total loans and leases	$ 634,103	$ 576,424

Fixed rate loans and leases approximated $156,458,000 at December 31, 2020 and $137,671,000 at December 31, 2019.

Loans originated through the PPP program are included in the Commercial segment and had an outstanding balance of $76.8 million at December 31, 2020.

Most of the Corporation's lending activities are with customers located in Northwestern and West Central Ohio. As of December 31, 2020 and 2019, the Corporation's loans and leases from borrowers in the agriculture industry represent the single largest industry and amounted to $53,524,000 and $44,729,000, respectively. Agriculture loans and leases are generally secured by property and equipment. Repayment is primarily expected from cash flow generated through the harvest and sale of crops or milk production for dairy products. Agriculture customers are subject to various risks and uncertainties which can adversely impact the cash flow generated from their operations, including weather conditions; milk production; health and stability of livestock; costs of key operating items such as fertilizer, fuel, seed, or animal feed; and market prices for crops, milk, and livestock. Credit evaluation of agricultural lending is based on an evaluation of cash flow coverage of principal and interest payments and the adequacy of collateral received.

The Corporation originates 1-4 family real estate and consumer loans and leases utilizing credit reports to supplement the underwriting process. The Corporation's underwriting standards for 1-4 family loans and leases are generally in accordance with the Federal Home Loan Mortgage Corporation (FHLMC) manual underwriting guidelines. Properties securing 1-4 family real estate loans and leases are appraised by fee appraisers, which is independent of the loan and lease origination function and has 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 and leases 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 or lease. To monitor and manage loan and lease risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan and lease 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 and leases are secured primarily by properties located in its primary market area.

Commercial and agricultural real estate loans and leases are subject to underwriting standards and processes similar to commercial and agricultural operating loans and leases, in addition to those unique to real estate loans and leases. These loans and leases 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 and leases based on cash flows, collateral and risk rating criteria. The Corporation may require guarantees on these loans and leases. The Corporation's commercial and agricultural real estate loans and leases are secured primarily by properties located in its primary market area.

Commercial and agricultural operating loans and leases 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 and leases 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 and leases. 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, 2020, 2019 and 2018:

(in thousands)

	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

	Residential 1 – 4 family real estate	**Commercial and multi-family real estate**	**Commercial**	**Consumer**	**Total**
Balance at December 31, 2018	$ 576	$ 2,355	$ 534	$ 62	$ 3,527
Provision for loan and lease losses	22	52	465	11	550
Losses charged off	(46)	(23)	(101)	(10)	(180)
Recoveries	40	152	41	1	234
Balance at December 31, 2019	$ 592	$ 2,536	$ 939	$ 64	$ 4,131

	Residential 1 – 4 family real estate	**Commercial and multi-family real estate**	**Commercial**	**Consumer**	**Total**
Balance at December 31, 2017	$ 545	$ 1,746	$ 501	$ 43	$ 2,835
Provision (credit) for loan and lease losses	8	417	(3)	28	450
Losses charged off	(52)	(114)	(21)	(10)	(197)
Recoveries	75	306	57	1	439
Balance at December 31, 2018	$ 576	$ 2,355	$ 534	$ 62	$ 3,527

The following tables present the balance in the allowance for loan and lease losses and the recorded investment in loans and leases by portfolio segment and based on impairment method as of December 31, 2020 and 2019:

(in thousands)

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
2020					
Allowance for loan and lease losses:					
Attributable to loans and leases individually evaluated for impairment	$ -	$ 6	$ 249	$ -	$ 255
Collectively evaluated for impairment	1,683	6,658	1,266	132	9,739
Total allowance for loan and lease losses	$ 1,683	$ 6,664	$ 1,515	$ 132	$ 9,994
Loans and leases:					
Individually evaluated for impairment	$ -	$ 1,047	$ 1,978	$ -	$ 3,025
Acquired with deteriorated credit quality	60	104	-	-	164
Collectively evaluated for impairment	111,001	373,681	139,302	6,930	630,914
Total ending loans and leases balance	$ 111,061	$ 374,832	$ 141,280	$ 6,930	$ 634,103

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
2019					
Allowance for loan and lease losses:					
Attributable to loans and leases individually evaluated for impairment	$ -	$ 93	$ 342	$ -	$ 435
Collectively evaluated for impairment	592	2,443	597	64	3,696
Total allowance for loan and lease losses	$ 592	$ 2,536	$ 939	$ 64	$ 4,131
Loans and leases:					
Individually evaluated for impairment	$ -	$ 1,499	$ 1,279	$ -	$ 2,778
Acquired with deteriorated credit quality	61	127	-	-	188
Collectively evaluated for impairment	122,844	365,988	76,379	8,247	573,458
Total ending loans and leases balance	$ 122,905	$ 367,614	$ 77,658	$ 8,247	$ 576,424

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, 2020, 2019 and 2018:

(in thousands)

	2020	2019	2018
Balance at beginning of year	$ 435	$ 128	$ -
Provision (credit) for loan and lease losses	(180)	307	128
Loans charged off	-	-	-
Recoveries	-	-	-
Balance at end of year	$ 255	$ 435	$ 128

The average balance of impaired loans and leases (excluding loans and leases acquired with deteriorated credit quality) amounted to $2,788,000, $2,386,000 and $349,000 during 2020, 2019 and 2018, respectively. Interest income on impaired loans and leases was $43,000 in 2020 and $263,000 in 2019. There was no interest income on impaired loans and leases in 2018.

The following table presents loans and leases individually evaluated for impairment by class of loans as of December 31, 2020 and 2019:

	(in thousands)			
	2020		**2019**	
	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	$ -	$ -	$ -	$ -
Commercial and multi-family real estate	872	-	822	-
Agricultural real estate	10	-	4	-
Commercial	425	-	22	-
Agriculture	-	-	-	-
Consumer	-	-	-	-
With an allowance recorded:				
Residential 1-4 family real estate	-	-	-	-
Commercial and multi-family real estate	165	6	673	93
Agricultural real estate	-	-	-	-
Commercial	1,553	249	1,257	342
Agriculture	-	-	-	-
Consumer	-	-	-	-
Total	$ 3,025	$ 255	$ 2,778	$ 435

The following table presents the recorded investment in nonaccrual loans and leases, loans and leases past due over 90 days still on accrual and troubled debt restructurings by class of loans as of December 31, 2020 and 2019:

(in thousands)

	2020			2019		
	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	$ 363	$ 60	$ 175	$ 414	$ 138	$ 223
Commercial and multi-family real estate	570	-	546	545	-	623
Agricultural real estate	11	-	-	4	-	-
Commercial	-	-	769	-	-	772
Agriculture	-	-	-	-	-	-
Consumer	6	-	-	-	-	-
Total	$ 950	$ 60	$ 1,490	$ 963	$ 138	$ 1,618

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 and leases as of December 31, 2020 and 2019 by class of loans and leases:

(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
2020						
Residential 1-4 family real estate	$ 795	$ -	$ 173	$ 968	$ 110,093	$ 111,061
Commercial and multi-family real estate	468	181	212	861	330,154	331,015
Agricultural real estate	-	-	-	-	43,817	43,817
Commercial	676	-	-	676	130,897	131,573
Agriculture	-	-	-	-	9,707	9,707
Consumer	4	-	6	10	6,920	6,930
Total	$ 1,943	$ 181	$ 391	$ 2,515	$ 631,588	$ 634,103

	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
2019						
Residential 1-4 family real estate	$ 2,709	$ 99	$ 322	$ 3,130	$ 119,775	$ 122,905
Commercial and multi-family real estate	177	302	15	494	332,161	332,655
Agricultural real estate	-	-	-	-	34,959	34,959
Commercial	-	57	5	62	67,826	67,888
Agriculture	-	-	-	-	9,770	9,770
Consumer	2	-	-	2	8,245	8,247
Total	$ 2,888	$ 458	$ 342	$ 3,688	$ 572,736	$ 576,424

Credit Quality Indicators:

The Corporation categorizes loans and leases 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 and leases individually by classifying the loans and leases as to the credit risk. This analysis generally includes non-homogenous loans and leases, such as commercial and commercial real estate loans and leases. The Corporation uses the following definitions for risk ratings for adverse classified loans:

- **Pass:** Loans and leases not meeting the previous criteria that are analyzed individually as part of the above described process are considered to be pass rated loans and leases.
- **Special Mention:** Loans and leases which possess some credit deficiency or potential weakness which deserves close attention, but which do not yet warrant substandard classification. Such loans and leases pose unwarranted financial risk that, if not corrected, could weaken the loan and lease 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 and leases are inadequately protected by the current sound net worth and paying ability of the borrower. Loans and leases of this type will generally display negative financial trends such as poor or negative net worth, earnings or cash flow. These loans and leases may also have historic and/or severe delinquency problems, and Corporation management may depend on secondary repayment sources to liquidate these loans and leases. The Corporation could sustain some degree of loss in these loans and leases if the weaknesses remain uncorrected.
- **Doubtful:** Loans and leases 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, 2020 and 2019.

(in thousands)

	Pass	Special Mention	Substandard	Doubtful	Not rated	Total
2020						
Residential 1 - 4 family	$ 6,767	$ -	$ -	$ -	$ 104,294	$ 111,061
Commercial and multi-family real estate	356,163	6,964	11,536	-	169	374,832
Commercial	64,068	495	2,530	-	74,187	141,280
Consumer	-	-	-	-	6,930	6,930
Total	$ 426,998	$ 7,459	$ 14,066	$ -	$ 185,580	$ 634,103

	Pass	Special Mention	Substandard	Doubtful	Not rated	Total
2019						
Residential 1 - 4 family	$ 9,219	$ -	$ -	$ -	$ 113,686	$ 122,905
Commercial and multi-family real estate	362,519	1,797	3,258	-	40	367,614
Commercial	75,559	410	1,688	-	1	77,658
Consumer	45	-	-	-	8,202	8,247
Total	$ 447,342	$ 2,207	$ 4,946	$ -	$ 121,929	$ 576,424

The Corporation considers the performance of the loan and lease 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, 2020 and 2019:

(in thousands)

	Residential 1-4 family	Commercial and multi-family real estate	Commercial	Consumer	Total
2020					
Performing	$ 104,121	$ 153	$ 74,187	$ 6,924	$ 185,385
Nonperforming	173	16	-	6	195
Total	$ 104,294	$ 169	$ 74,187	$ 6,930	$ 185,580

	Residential 1-4 family	Commercial and multi-family real estate	Commercial	Consumer	Total
2019					
Performing	$ 113,364	$ 24	$ -	$ 8,202	$ 121,590
Nonperforming	322	16	1	-	339
Total	$ 113,686	$ 40	$ 1	$ 8,202	$ 121,929

Modifications:

The Corporation's loan and lease portfolio also includes certain loans and leases 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 and leases.

When the Corporation modifies a loan or lease, 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 or lease agreement, except when the sole (remaining) source of repayment for the loan or lease 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 or lease is less than the recorded investment in the loan or lease (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 or lease balance if collection is not expected.

The following table includes the recorded investment and number of modifications for TDR loans and leases during the year ended December 31, 2019. There were no TDR modifications done in 2020. There were no other subsequent defaults relating to TDR loans and leases during the years ended December 31, 2020 and 2019.

(dollars in thousands)

	Number of modifications	Recorded investment	Allowance for loan and lease losses allocated
2019			
Commercial and multi family real estate	2	$ 545	$ -
Commercial	1	750	342
Total	3	$ 1,295	$ 342

The concessions granted during 2020 included the following: the bank modified one loan as ordered by the Bankruptcy Court, to comply with the bankruptcy plan. Additionally, the bank rewrote part of a line of credit and termed out another line of credit, which would likely have prohibited the borrower from financing/refinancing at another institution.

As a result of the COVID-19 pandemic, payment deferrals and interest only payment options for consumer, small business, and commercial customers for up to 90 days were offered. Payment extensions of up to 90 days for mortgage customers were also offered. Through December 31, 2020, 152 loans were modified or extended, approximating $57.7 million. These modifications and extensions were made under the CARES Act and are not considered TDR's.

The following is additional information with respect to loans and leases acquired in the Benchmark and OSB transactions as of December 31, 2020 and 2019:

Benchmark Bank
(in thousands)

2020	Contractual Principal Receivable	Accretable Difference	Carrying Amount

Purchased Performing Loans and Leases						
Balance at December 31, 2019	$	58,953	$	(1,177)	$	57,776
Change due to payments received		(21,567)		522		(21,045)
Balance at December 31, 2020	$	37,386	$	(655)	$	36,731
Purchased Impaired Loans and Leases						
Balance at December 31, 2019	$	354	$	(192)	$	162
Change due to payments received		(67)		19		(48)
Balance at December 31, 2020	$	287	$	(173)	$	114

2019		**Contractual Principal Receivable**		**Accretable Difference**		**Carrying Amount**
Purchased Performing Loans and Leases						
Balance at December 31, 2018	$	74,837	$	(1,553)	$	73,284
Change due to payments received		(15,884)		376		(15,508)
Balance at December 31, 2019	$	58,953	$	(1,177)	$	57,776
Purchased Impaired Loans and Leases						
Balance at December 31, 2018	$	516	$	(253)	$	263
Change due to payments received		(162)		61		(101)
Balance at December 31, 2019	$	354	$	(192)	$	162

2020	Contractual Principal Receivable	The Ohio State Bank (in thousands) Accretable Difference	Carrying Amount
Purchased Performing Loans and Leases			
Balance at December 31, 2019	$ 13,047	$ (430)	$ 12,617
Change due to payments received	(2,866)	111	(2,755)
Balance at December 31, 2020	$ 10,181	$ (319)	$ 9,862
Purchased Impaired Loans and Leases			
Balance at December 31, 2019	$ 160	$ (134)	$ 26
Change due to payments received	(51)	75	24
Balance at December 31, 2020	$ 109	$ (59)	$ 50

2019	Contractual Principal Receivable	Accretable Difference	Carrying Amount
Purchased Performing Loans and Leases			
Balance at December 31, 2018	$ 19,043	$ (658)	$ 18,385
Change due to payments received	(5,996)	228	(5,768)
Balance at December 31, 2019	$ 13,047	$ (430)	$ 12,617
Purchased Impaired Loans and Leases			
Balance at December 31, 2018	$ 196	$ (163)	$ 33
Change due to payments received	(21)	14	(7)
Balance at December 31, 2019	(15)	15	-
	$ 160	$ (134)	$ 26

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 $114,000 as of December 31, 2020 and $162,000 as of December 31, 2019 related to the Benchmark acquisition and $50,000 at December 31, 2020 and $26,000 at December 31, 2019 for the OSB acquisition.

There was no provision for loan and lease losses recognized for the years ended December 31, 2020 and 2019 related to the acquired loans and leases as there was no significant change to the credit quality of the loans and leases during the periods.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan and lease customers of the Corporation. Such loans and leases 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 $965,000 and $1,154,000 at December 31, 2020 and 2019 respectively. The following is a summary of activity during 2020, 2019 and 2018 for such loans:

	2020	(in thousands) 2019	2018
Beginning of year	$ 1,154	$ 1,371	$ 491
Additions	4	-	952
Repayments	(193)	(217)	(72)
End of year	$ 965	$ 1,154	$ 1,371

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, 2020 and 2019:

	(in thousands) 2020	2019
Land and improvements	$ 4,069	$ 4,069
Buildings	17,596	17,327
Equipment	7,164	5,857
	28,829	27,253
Less accumulated depreciation	9,488	8,464
Premises and equipment, net	$ 19,341	$ 18,789

Depreciation expense amounted to $1,028,000 in 2020, $932,000 in 2019 and $893,000 in 2018.

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 $234,897,000 and $175,742,000 at December 31, 2020 and 2019, 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, 2020 and 2019 include:

Prepayment assumptions:	Based on the PSA Standard Prepayment Model
Internal rate of return:	11% to 13%
Servicing costs:	$76 – $91 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, 2020, 2019 and 2018:

	(in thousands)		
	2020	**2019**	**2018**
Fair value at beginning of year	$ 1,061	$ 1,313	$ 1,270
Capitalized servicing rights – new loan sales	690	192	164
Disposals (amortization based on loan payments and payoffs)	(326)	(186)	(147)
Change in fair value	(293)	(258)	26
Fair value at end of year	$ 1,132	$ 1,061	$ 1,313

The changes in fair value of servicing rights for the years ended December 31, 2020, 2019, and 2018 resulted from changes in external market conditions, including prepayment assumptions, which is a key valuation input used in determining the fair value of servicing. While prepayment assumptions are constantly changing, such changes are typically within a relatively small parameter from period to period. The prepayment assumption factor used in determining the fair value of servicing at December 31, 2020 was 365 compared to 214 at December 31, 2019, and 136 at December 31, 2018. The earnings rate used in determining the fair value of servicing was 0.25% in 2020, 2019, and 2018.

NOTE 7 - DEPOSITS

Time deposits at December 31, 2020 and 2019 include individual deposits greater than $250,000 of $13,228,000 and $15,568,000, respectively. Interest expense on time deposits greater than $250,000 amounted to $186,000 for 2020, $239,000 for 2019, and $120,000 for 2018.

At December 31, 2020, time deposits amounted to $152,331,000 and were scheduled to mature as follows: 2021, $109,109,000; 2022, $35,287,000; 2023, $4,011,000; 2024, $2,199,000; 2025, $1,634,000; and thereafter, $91,000.

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 $6,900,000 and $5,536,000 at December 31, 2020 and 2019, respectively.

NOTE 8 – OTHER BORROWINGS

Other borrowings consists of the following at December 31, 2020 and December 31, 2019:

	(in thousands) 2020	2019
Federal Home Loan Bank borrowings:		
Secured note, with interest at 1.72%, due September, 2020	$ -	$ 6,000
Secured note, with interest at 2.90%, due June, 2021	-	8,000
Secured note, with variable interest, at 2.13% at December 31, 2020 and 2.99% at December 31, 2019, due September, 2021	-	7,000
Secured note, with interest at 1.86%, due September, 2021	-	6,000
Secured note, with interest at 2.94%, due December, 2021	-	8,000
Secured note, with interest at 2.98%, due June, 2022	-	9,000
Secured note, with interest at 1.97%, due September, 2022	-	6,000
United Bankers Bank		
Note payable, with interest at 4.875% payable quarterly, and $250,000 principal payments, with any remaining unpaid principal, due September 1, 2022. All Union Bank stock is held as collateral.	7,750	8,750
Total other borrowings	$ 7,750	$ 58,750

During 2020, the Bank elected to repay all outstanding Federal Home Loan Bank borrowings resulting in prepayment penalties of $1,086,000. At December 31, 2020, the Corporation had $155,878,000 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: 2021, $1,000,000; and 2022, $6,750,000

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 3.40% at December 31, 2020, 5.10% at December 31, 2019, and 5.97% at December 31, 2018, 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 $2,642,000 at December 31, 2020 and $2,608,000 at December 31, 2019. 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 3.06% at December 31, 2020 and 4.78% at December 31, 2019.

Interest expense on the debentures amounted to $526,000 in 2020, $728,000 in 2019, and $697,000 in 2018, 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, 2020, 2019 and 2018:

	(in thousands)		
	2020	2019	2018
Data processing	$ 1,801	$ 1,478	$ 1,318
Professional fees	1,294	1,001	817
Ohio Financial Institution tax	635	552	505
Advertising, Sponsorship, and Charitable Contributions	2,077	1,802	1,786
ATM processing and other fees	745	764	663
Amortization of core deposit intangible assets	151	159	173
Postage	93	69	50
Stationery and supplies	146	164	179
FDIC assessment	231	79	264
Loan closing fees	2,035	1,354	921
Other real estate owned	-	3	12
Deposit losses	47	52	63
Other	2,153	1,801	1,627
Total other operating expenses	$ 11,408	$ 9,278	$ 8,378

NOTE 11 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2020, 2019, and 2018 consist of the following:

	(in thousands)		
	2020	**2019**	**2018**
Current	$ 3,711	$ 1,086	$ (211)
Deferred	(789)	529	1,740
Total provision for income taxes	$ 2,922	$ 1,615	$ 1,529

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 2020, 2019, and 2018:

	(in thousands)		
	2020	**2019**	**2018**
Expected tax using statutory tax rate	$ 3,502	$ 2,578	$ 2,047
Increase (decrease) in tax resulting from:			
Tax-exempt income on state and municipal securities and political subdivision loans	(472)	(386)	(358)
Tax-exempt income on life insurance contracts	(77)	(82)	(83)
Deductible dividends paid to United Bancshares, Inc. ESOP	(44)	(42)	(37)
Tax-exempt settlement	-	(416)	-
Other, net	13	(37)	(40)
Total provision for income taxes	$ 2,922	$ 1,615	$ 1,529

The deferred income tax provision (credit) of ($789,000) in 2020, $529,000 in 2019, and $1,740,000 in 2018 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, 2020 and 2019 are presented below:

	(in thousands) 2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 2,099	$ 868
Deferred compensation	330	312
Nonaccrual loan interest	162	212
Deferred loan fees	437	130
Accrued vacation expense	101	96
Accrued profit sharing	181	123
Loans fair value adjustments	306	421
Other	198	124
Net operating loss carryforwards	853	1,285
Total deferred tax assets	4,667	3,571
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	526	526
Unrealized gain on securities available for sale	1,956	764
Capitalized mortgage servicing rights	238	223
Fixed asset depreciation	673	424
Acquisition intangibles	1,897	1,907
Trust preferred fair value adjustment	72	77
Other	125	67
Total deferred tax liabilities	5,487	3,988
Net deferred tax liabilities	$ (820)	$ (417)

Net deferred tax liabilities at December 31, 2020 and 2019 are included in other liabilities in the consolidated balance sheets.

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, 2020, $4.1 million of loss carryforwards remain from these acquisitions, resulting in a benefit of $853,000, which is reflected in deferred tax assets.

Management believes it is more likely than not that the benefit of recorded deferred tax assets will be realized. Consequently, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2020 and 2019.

Unrecognized Tax Benefits

The Corporation had no unrecognized tax benefits at December 31, 2020 and 2019. 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, 2020 and December 31, 2019.

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 $1,478,000, $1,201,000 and $1,025,000 in 2020, 2019, and 2018, respectively. At December 31, 2020, the plan owned 417,447 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 $1,571,000 and $1,484,000 at December 31, 2020 and 2019, 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 $18,981,000 and $18,613,000 at December 31, 2020 and 2019, 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 3,889 shares in 2020, 2,957 shares in 2019, and 1,715 shares in 2018 under the plan.

The three members of the Corporation's senior executive management team have employment agreements which provide 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, 2020 and 2019:

	(in thousands) Contract amount	
	2020	**2019**
Commitments to extend credit	$ 155,745	$ 132,605
Letters of credit	$ 533	$ 615

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019 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, 2020						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 86,584	13.8%	$ 44,040	≥ 7.0%	N/A	N/A
Bank	$ 91,118	14.5%	$ 43,929	≥ 7.0%	$ 40,791	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 96,578	15.4%	$ 66,059	≥ 10.5%	N/A	N/A
Bank	$ 98,992	15.8%	$ 65,894	≥ 10.5%	$ 62,756	10.0%
Tier 1 Capital (to Risk weighted Assets)						
Consolidated	$ 86,584	13.8%	$ 53,477	≥ 8.5%	N/A	N/A
Bank	$ 91,118	14.5%	$ 53,343	≥ 8.5%	$ 50,205	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 86,584	9.2%	$ 37,489	≥ 4.0%	N/A	N/A
Bank	$ 91,118	9.4%	$ 38,776	≥ 4.0%	$ 48,471	5.0%
As of December 31, 2019						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 73,938	11.6%	$ 44,634	≥ 7.0%	N/A	N/A
Bank	$ 80,277	12.6%	$ 44,464	≥ 7.0%	$ 41,288	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 78,069	12.2%	$ 66,950	≥ 10.5%	N/A	N/A
Bank	$ 84,493	13.3%	$ 66,697	≥ 10.5%	$ 63,521	10.0%
Tier 1 Capital (to Risk weighted Assets)						
Consolidated	$ 73,938	11.6%	$ 54,198	≥ 8.5%	N/A	N/A
Bank	$ 80,277	12.6%	$ 53,992	≥ 8.5%	$ 50,816	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 73,938	8.9%	$ 33,233	≥ 4.0%	N/A	N/A
Bank	$ 80,277	9.3%	$ 34,454	≥ 4.0%	$ 43,068	5.0%

(1) Includes capital conservation buffer of 2.5% as of December 31, 2020

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, 2020 and 2019 and for each of the years in the three-year period ended December 31, 2020, is as follows:

Condensed Balance Sheets

	(in thousands) 2020	2019
Assets:		
Cash	$ 1,845	$ 879
Investment in bank subsidiary	129,070	114,029
Other assets	1,576	2,419
Total assets	$ 132,491	$ 117,327
Liabilities:		
Junior subordinated deferrable interest debentures	$ 12,942	$ 12,908
Other borrowings	7,750	8,750
Other liabilities	200	888
Total Liabilities	20,892	22,546
Shareholders' equity	111,599	94,781
Total liabilities and shareholders’ equity	$ 132,491	$ 117,327

Condensed Statements of Income	2020	(in thousands) 2019	2018
Income – dividends from bank subsidiary	$ 4,500	$ -	$ 4,500
Litigation Settlement	-	1,980	-
Expenses – interest, professional fees and other expenses, net of federal income tax benefit and interest income	(1,150)	(1,313)	(1,346)
Income before equity in undistributed net income of bank subsidiary	3,350	667	3,154
Equity in undistributed net income of bank subsidiary	10,405	9,994	5,066
Net income	$ 13,755	$ 10,661	$ 8,220

Condensed Statements of Cash Flows	2020	2019	2018
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 13,755	$ 10,661	$ 8,220
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(10,405)	(9,994)	(5,066)
Stock option expense	164	266	165
Depreciation and amortization	34	34	34
(Increase) decrease in other assets	843	(1,221)	969
Increase (decrease) in other liabilities	(841)	421	40
Net cash provided by operating activities	3,550	167	4,362
Cash flows from investing activities:			
Acquisition of Benchmark	-	-	(3,413)
Cash flows from financing activities:			
Principal payments on other borrowings	(1,000)	(1,000)	(250)
Purchase of treasury stock	-	(95)	-
Proceeds from sale of treasury shares	95	71	39
Cash paid for cancellation of stock options	(11)	-	-
Cash dividends paid	(1,668)	(1,702)	(1,568)
Net cash used in financing activities	(2,584)	(2,726)	(1,779)
Net increase (decrease) in cash	966	(2,559)	(830)
Cash at beginning of the year	879	3,438	4,268
Cash at end of the year	$ 1,845	$ 879	$ 3,438

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 4,220 shares in 2019 (none in 2020 and 2018) 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, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	(in thousands)			
2020	**Level 1 inputs**	**Level 2 inputs**	**Level 3 inputs**	**Total fair value**
Recurring:				
Securities available-for-sale:				
Obligations of state and political subdivisions	$ -	$ 99,805	$ -	$ 99,805
Mortgage-backed	-	93,611	-	93,611
Other	1,162	2	-	1,164
Mortgage servicing rights	-	-	1,132	1,132
Total recurring	$ 1,162	$ 193,418	$ 1,132	$ 195,712
Nonrecurring:				
Impaired Loans	-	-	$ 1,463	$ 1,463

2019	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	$ -	$ 72,554	$ -	$ 72,554
Mortgage-backed	-	110,041	-	110,041
Other	1,014	2	-	1,016
Mortgage servicing rights	-	-	1,061	1,061
Total recurring	$ 1,014	$ 182,597	$ 1,061	$ 184,672
Nonrecurring:				
Impaired Loans	$ -	$ -	$ 1,495	$ 1,495

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, 2020, 2019 and 2018:

Mortgage Servicing Rights	2020	2019	2018
		(in thousands)	
Balance at beginning of year	$ 1,061	$ 1,313	$ 1,270
Gains or losses, including realized and unrealized:			
Purchases, issuances, and settlements	690	192	164
Disposals – amortization based on loan payments and payoffs	(326)	(186)	(147)
Changes in fair value	(293)	(258)	26
Balance at end of year	$ 1,132	$ 1,061	$ 1,313

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 11% and 13%, 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, 2020 and 2019 are as follows:

	(in thousands)				
	2020		2019		
	Carrying Amount	Estimated Value	Carrying Amount	Estimated Value	Input Level
FINANCIAL ASSETS					
Cash and cash equivalents	$ 57,034	$ 57,034	$ 26,412	$ 26,412	1
Securities, including FHLB stock	200,178	200,178	188,913	188,913	2,3
Loans held for sale	18,427	18,427	15,301	15,301	3
Net loans and leases	624,109	625,628	572,293	572,936	3
Mortgage servicing rights	1,132	1,132	1,061	1,061	3
Hedging assets	3,245	3,245	970	970	3
Total financial assets	$ 904,125	$ 905,644	$ 804,950	$ 805,593	

	(in thousands)				
	2020		2019		
	Carrying Amount	Estimated Value	Carrying Amount	Estimated Value	Input Level
FINANCIAL LIABILITIES					
Deposits					
Maturity	$ 152,331	$ 153,337	$ 197,391	$ 197,428	3
Non-maturity	686,047	686,047	509,743	509,743	1
Other borrowings	7,750	7,750	58,750	58,692	3
Junior subordinated deferrable interest debentures	12,942	10,300	12,908	11,067	3
Hedging liabilities	616	616	27	27	3
Total financial liabilities	$ 859,686	$ 858,050	$ 778,819	$ 776,957	

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, 2020 and 2019 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $156,385,000 at December 31, 2020 and $133,220,000 at December 31, 2019. 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, 2020 or 2019.

Loans and leases:

Fair value for loans and leases was estimated for portfolios of loans and leases 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 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, 2020, 2019 and 2018. Items outside the scope of ASC 606 are noted as such.

	Year ended December 31, 2020	2019	2018
Service charges on deposit accounts	$ 1,102	$ 1,486	$ 1,610
Gain on sale of loans (1)	24,139	9,071	4,675
Net securities gains (losses) (1)	289	4	(6)
Change in fair value of mortgage servicing rights (1)	(293)	(258)	26
Increase in cash surrender value of life insurance (1)	368	390	395
Credit and debit card interchange fees	1,514	1,443	1,388
Litigation settlement (1)	-	1,980	-
Wealth management	319	293	237
Net loan servicing fees (1)	262	327	375
Other non-interest income	(700)	312	728
Total non-interest income	$ 27,000	$ 15,048	$ 9,428

(1) Not within the scope of ASC 606

NOTE 19 – LEASING ARRANGEMENTS

The Corporation leases various branch facilities under operating leases. Rent expense was $424,000, $314,000, and $158,000 for the years 2020, 2019 and 2018, respectively. A right-of-use asset, included in other assets, and lease liability, included in other liabilities, were both $1,867,000 at December 31, 2020 and $2,112,000 at December 31, 2019.

The following is a schedule of future minimum rental payments required under the facility leases as of December 31, 2020:

Year ending December 31,	Amount (in thousands)
2021	$ 325
2022	290
2023	292
2024	294
2025	268
Thereafter	891
Total	$ 2,360

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. A total of 250,000 shares are available for issuance pursuant to the Plan.

The Corporation issued 63,858 options during 2020 at an exercise price of $19.83, 33,853 options during 2019 at an exercise price of $22.97, and 31,267 options during 2018 at an exercise price of $23.30 under the Plan. Following is a summary of activity for stock options for the years ended December 31, 2020, 2019 and 2018 (number of shares):

	2020	2019	2018
Outstanding, beginning of year	117,647	93,069	63,503
Granted	63,858	33,853	31,267
Exercised	-	-	-
Cancelled	(2,955)	-	-
Forfeited	(20,733)	(9,275)	(1,701)
Outstanding, end of year	157,817	117,647	93,069
Weighted average exercise price at end of year	$ 19.83	$ 21.81	$ 21.39

The options vest over a three-year period on the anniversary of the date of grant. At December 31, 2020, 68,269 options were vested and outstanding options had a weighted average remaining contractual term of 8.11 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 2020, 2019 and 2018:

	2020	2019	2018
Weighted-average fair value of options granted	$ 4.83	$ 7.77	$ 7.87
Average dividend yield	2.93%	2.26%	2.18%
Expected volatility	40.00%	40.00%	40.00%
Rick-free interest rate	0.49%	1.93%	2.81%
Expected term (years)	7	7	7
Shares Granted	63,858	33,853	31,267
Exercise Price	$ 16.77	$ 22.97	$ 23.30

Total compensation expense related to the stock options granted in 2020, net of forfeitures, is expected to be $308,000 and is being recognized ratably over the 36 month period beginning July 1, 2020. Total compensation expense related to the stock options granted in 2019, net of forfeitures, is expected to be $223,000 and is being recognized ratably over the 36 month period beginning July 1, 2019.Total compensation expense related to the stock options granted in 2018, net of forfeitures, is expected to be $175,000 and is being recognized ratably over the 36 month period beginning September 1, 2018. Stock option expense for outstanding awards amounted to $164,000, $266,000 and $165,000 for the years ended December 31, 2020, 2019 and 2018, 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 2020 and 2019:

	(in thousands, except share data)				
	Interest Income	Net Interest Income	Net Income	Net Income Per Share Basic	Net Income Per Share Diluted
2020					
First quarter	$ 9,232	$ 7,124	$ 1,088	$ 0.33	$ 0.32
Second quarter	$ 10,079	$ 8,587	$ 5,668	$ 1.73	$ 1.71
Third quarter	$ 10,100	$ 8,398	$ 5,250	$ 1.61	$ 1.60
Fourth quarter	$ 10,619	$ 8,933	$ 1,749	$ 0.54	$ 0.53
2019					
First quarter	$ 8,986	$ 6,935	$ 1,814	$ 0.55	$ 0.55
Second quarter	$ 9,470	$ 7,245	$ 2,285	$ 0.70	$ 0.70
Third quarter	$ 9,595	$ 7,271	$ 2,418	$ 0.74	$ 0.74
Fourth quarter	$ 9,768	$ 7,444	$ 4,144	$ 1.27	$ 1.26

OFFICERS - UNITED BANCSHARES, INC.

Brian D. Young - President / Chief Executive Officer
Stacy A. Cox - Chief Financial Officer
Heather M. Oatman - Secretary

OFFICERS - THE UNION BANK COMPANY

Brian D. Young - President / CEO / Chairman
Stacy A. Cox - Executive Vice President / CFO
Heather M. Oatman - Senior Vice President / Secretary
Teresa M. Deitering - Senior Vice President
Klint D. Manz - Senior Vice President
Brent D. Nussbaum- Senior Vice President
Norman V. Schnipke - Senior Vice President
Travis E. Vulich - Senior Vice President

Vice President

Janice C. Acerro	John P. Miller
Kathi J. Amstutz	Roger A. Nedolast
Donna J. Brown	Doris A. Neumeier
Joseph M. Campbell	Jason A. Recker
Paul M. Cira	Amy E. Reese
Thomas M. Cox	Rosemarie Roman
Chase H. Doll	Ricardo Rosado
Amy C. Felter	Thomas J. Sansone
Steven L. Floyd	Craig R. Stechschulte
Vicky K. Gilbert	Benjamin K. Stewart
Robert W. Gray	J. Kevin Taylor
Susan A. Hojnacki	Jason R. Thornell
Mark G. Honigford	Dean J. Vande Water
Karen M. Maag	Paul A. Walker
Daron S. McGuire	Lori L. Watson

Assistant Vice President

Walker K. Carr	Machiel K. Hindall
Nancianne Carroll	Abby L. Hornish
David M. Cornwell	Joyce M. Kuhlman
Laura M. Daniel	Zachary P. Nycz
Sony S. Dawson	Peter J. Rafaniello
Elaine E. Evans	Rebecca J. Roberts
Jacqueline Fairbanks	Theresa A. Stein-Moenter
Dian M. Franks	Stacia R. Thompson
Mark A. Gerberick	Amy J. Vasquez
Casey S. Hensley	Kimberly S. Verhoff
Mandy L. Hermiller	Pamela J. Workman

Officer

Mary Jo Horstman
Matthew A. Sargent

UNITED BANCSHARES, INC.
Columbus Grove, Ohio

DIRECTORS – UNITED BANCSHARES, INC.

NAME	AGE	DIRECTOR SINCE	NAME	AGE	DIRECTOR SINCE
Robert L. Benroth *Putnam County Auditor*	58	2003	Daniel W. Schutt *Chairman, Retired Banker*	73	2005
Herbert H. Huffman *Retired - Educator*	70	2018	R. Steven Unverferth *Chairman, Unverferth Manufacturing Corporation, Inc.*	68	2005
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	78	2000	Brian D. Young *President/CEO*	54	2012
David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	70	2001			

DIRECTORS – THE UNION BANK COMPANY

NAME	AGE	DIRECTOR SINCE (a)	NAME	AGE	DIRECTOR SINCE (a)
Robert L. Benroth *Putnam County Auditor*	58	2001	David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	70	1997
Anthony M.V. Eramo *Managing Director, MountainView Financial Solutions*	55	2016	Carol R. Russell *President/CEO, Schulte Group*	66	2019
Herbert H. Huffman *Retired - Educator*	70	1993	Daniel W. Schutt *Retired Banker*	73	2005
Kevin L. Lammon *Village Administrator, Village of Leipsic*	66	1996	R. Steven Unverferth *Chairman, Unverferth Manufacturing Corporation, Inc*	68	1993
William R. Perry *Farmer*	62	1990	Brian D. Young *President/CEO/Chairman*	54	2008
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	78	1979			

(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

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 5, 2021 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, 2020 listed in the accompanying index.

/s/ CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
March 5, 2021

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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, President and 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
President and Chief Executive Officer
March 5, 2021

Exhibit 31.2

CERTIFICATION - CFO

In connection with the Annual Report of United Bancshares, Inc. on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stacy A. Cox, 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 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/ Stacy A. Cox
Stacy A. Cox
Chief Financial Officer
March 5, 2021

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, 2020, 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 5, 2021

*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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stacy A. Cox, 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/ Stacy A. Cox
Stacy A. Cox
Chief Financial Officer

Date: March 5, 2021

*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.