UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

OR

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

Commission file number 333-86453

UNITED BANCSHARES, INC.
(Exact name of Registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or organization)

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

34-1516518
(I.R.S. Employer Identification Number)

45830
(Zip Code)

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

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

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

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. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒
Emerging growth company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 2022: 3,239,859.

This document contains 39 pages. The Exhibit Index is on page 38 immediately preceding the filed exhibits.

UNITED BANCSHARES, INC.

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PART 1 - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

United Bancshares, Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2022 (unaudited) and December 31, 2021

	(in thousands except share data)	
	September 30, 2022	**December 31, 2021**
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 13,539	$ 11,654
Interest-bearing deposits in other banks	35,462	63,548
Total cash and cash equivalents	49,001	75,202
SECURITIES, available-for-sale	275,465	307,642
FEDERAL HOME LOAN BANK STOCK, at cost	3,860	5,129
LOANS HELD FOR SALE	8,078	9,146
LOANS	637,426	609,559
Less allowance for loan losses	10,400	10,355
Net loans	627,026	599,204
PREMISES AND EQUIPMENT, net	24,267	21,840
GOODWILL	28,616	28,616
CORE DEPOSIT INTANGIBLE ASSETS, net	394	499
CASH SURRENDER VALUE OF LIFE INSURANCE	19,188	19,383
OTHER ASSETS, including accrued interest receivable	23,394	9,895
TOTAL ASSETS	$ 1,059,289	$ 1,076,556
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest-bearing	$ 216,732	$ 195,374
Interest-bearing	744,037	735,039
Total deposits	960,769	930,413
Other borrowings	6,250	7,012
Junior subordinated deferrable interest debentures	13,001	12,976
Other liabilities	5,449	7,060
Total liabilities	985,469	957,461
SHAREHOLDERS' EQUITY		
Common stock, stated value $1.00, authorized 10,000,000 shares; issued 3,760,557 shares	3,817	3,794
Surplus	16,990	16,305
Retained earnings	109,612	103,903
Accumulated other comprehensive (loss) income	(46,324)	3,993
Treasury stock, at cost, 520,698 shares at September 30, 2022 and 487,972 shares at December 31, 2021	(10,275)	(8,900)
Total shareholders' equity	73,820	119,095
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,059,289	$ 1,076,556

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

United Bancshares, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
Three and nine months ended September 30, 2022 and 2021 (unaudited)

	(in thousands except share data)			
	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
INTEREST INCOME				
Loans, including fees	$ 8,052	$ 9,338	$ 22,575	$ 25,807
Securities:				
Taxable	794	492	2,285	1,370
Tax-exempt	967	744	2,735	2,028
Other	313	74	549	181
Total interest income	10,126	10,648	28,144	29,386
INTEREST EXPENSE				
Deposits	553	548	1,307	1,795
Other borrowings	244	197	624	599
Total interest expense	797	745	1,931	2,394
Net interest income	9,329	9,903	26,213	26,992
PROVISION FOR LOAN LOSSES	-	-	-	300
Net interest income after provision for loan losses	9,329	9,903	26,213	26,692
NON-INTEREST INCOME				
Gain on sale of loans	852	3,799	1,535	11,257
Net securities losses	(38)	(4)	(116)	(7)
Other non-interest income	2,009	917	6,710	2,980
Total non-interest income	2,823	4,712	8,129	14,230
NON-INTEREST EXPENSES	8,865	9,680	25,827	27,859
INCOME BEFORE INCOME TAXES	3,287	4,935	8,515	13,063
PROVISION FOR INCOME TAXES	201	843	739	2,200
NET INCOME	$ 3,086	$ 4,092	$ 7,776	$ 10,863
NET INCOME PER SHARE				
Basic	$ 0.94	$ 1.25	$ 2.37	$ 3.31
Diluted	$ 0.94	$ 1.23	$ 2.37	$ 3.28
Weighted average common shares outstanding (basic)	3,269,647	3,277,070	3,275,673	3,277,919
Weighted average common shares outstanding (diluted)	3,277,915	3,313,387	3,283,941	3,314,236

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

United Bancshares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive (Loss) Income
Three and nine months ended September 30, 2022 and 2021 (unaudited)

	(in thousands)			
	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
NET INCOME	$ 3,086	$ 4,092	$ 7,776	$ 10,863
OTHER COMPREHENSIVE LOSS				
Unrealized losses on securities:				
Unrealized holding losses during period	(18,980)	(3,409)	(63,809)	(5,391)
Reclassification adjustments for losses included in net income	38	4	116	7
Other comprehensive loss, before income taxes	(18,942)	(3,405)	(63,693)	(5,394)
Income tax benefit related to items of other comprehensive loss	(3,978)	(715)	(13,376)	(1,131)
Other comprehensive loss	(14,964)	(2,690)	(50,317)	(4,253)
COMPREHENSIVE (LOSS) INCOME	$ (11,878)	$ 1,402	$ (42,541)	$ 6,610

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

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United Bancshares, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(in thousands except share data)

Nine months ended September 30, 2022 and 2021 (unaudited)

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
BALANCE AT DECEMBER 31, 2021	$ 3,794	$ 16,305	$ 103,903	$ 3,993	$ (8,900)	$ 119,095
Comprehensive income (loss):						
Net income	-	-	7,776	-	-	7,776
Other comprehensive loss	-	-	-	(50,317)	-	(50,317)
8,823 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan	-	68	-	-	166	234
Repurchase of Shares (43,600 shares)	-	-	-	-	(871)	(871)
Stock option expense	-	167	-	-	-	167
Stock option exercise, net of 3,379 shares purchased and retired	23	450			(670)	(197)
Cash dividends declared, $0.63 per share	-	-	(2,067)	-	-	(2,067)
BALANCE AT SEPTEMBER 30, 2022	$ 3,817	$ 16,990	$ 109,612	$ (46,324)	$ (10,275)	$ 73,820
BALANCE AT DECEMBER 31, 2020	$ 3,761	$ 15,438	$ 92,716	$ 7,355	$ (7,671)	$ 111,599
Comprehensive income (loss):						
Net income	-	-	10,863	-	-	10,863
Other comprehensive loss	-	-	-	(4,253)	-	(4,253)
11,943 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan	-	46	-	-	188	234
Repurchase of Shares (11,651 shares)	-	-	-	-	(368)	(368)
Stock option expense	-	127	-	-	-	127
Stock option exercise, net of 6,347 shares repurchased and retired	8	(40)	-	-	(287)	(319)
Cash dividends declared, $0.51 per share	-	-	(1,739)	-	-	(1,739)
BALANCE AT SEPTEMBER 30, 2021	$ 3,769	$ 15,571	$ 101,840	$ 3,102	$ (8,138)	$ 116,144

Three months ended September 30, 2022 and 2021 (unaudited)

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total
BALANCE AT JUNE 30, 2022	$ 3,813	$ 16,839	$ 107,216	$ (31,360)	$ (9,386)	$ 87,122
Comprehensive income (loss):						
Net income	-	-	3,086	-	-	3,086
Other comprehensive loss	-	-	-	(14,964)	-	(14,964)
3,946 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan	-	23	-	-	77	100
Repurchase of Shares (43,600 shares)	-	-	-	-	(871)	(871)
Stock option expense	-	56	-	-	-	56
Stock option exercise, net of 594 shares purchased and retired	4	72	-	-	(95)	(19)
Cash dividends declared, $0.21 per share	-	-	(690)	-	-	(690)
BALANCE AT SEPTEMBER 30, 2022	$ 3,817	$ 16,990	$ 109,612	$ (46,324)	$ (10,275)	$ 73,820
BALANCE AT JUNE 30, 2021	$ 3,761	$ 15,317	$ 98,405	$ 5,792	$ (7,559)	$ 115,716
Comprehensive income (loss):						
Net income	-	-	4,092	-	-	4,092
Other comprehensive loss	-	-	-	(2,690)	-	(2,690)
4,851 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan	-	38	-	-	76	114
Repurchase of Shares (11,651 shares)	-	-	-	-	(368)	(368)
Stock option expense	-	58	-	-	-	58
Stock option exercise, net of 3,749 shares repurchased and retired	8	158	-	-	(287)	(121)
Cash dividends declared, $0.20 per share	-	-	(657)	-	-	(657)

BALANCE AT SEPTEMBER 30, 2021	$ 3,769	$ 15,571	$ 101,840	$ 3,102	$ (8,138)	$ 116,144

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

United Bancshares, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows
Nine months ended September 30, 2022 and 2021 (unaudited)

	(in thousands) Nine months ended September 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES	$ 9,207	$ 14,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales, calls and maturities of available-for-sale securities	18,375	25,789
Purchases of available-for-sale securities	(50,695)	(107,385)
Proceeds from FHLB stock redemption	1,269	469
Net (increase) decrease in loans	(27,976)	44,378
Purchases of premises and equipment	(3,071)	(304)
Net cash used in investing activities	(62,098)	(37,053)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	30,353	89,412
Repayments of other borrowings	(762)	(750)
Proceeds from sale of treasury shares	234	233
Purchase of Treasury Shares	(1,068)	(686)
Cash dividends paid	(2,067)	(1,739)
Net cash provided by financing activities	26,690	86,470
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,201)	64,145
CASH AND CASH EQUIVALENTS		
At beginning of period	75,202	57,034
At end of period	$ 49,001	$ 121,179
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the period for:		
Interest	$ 1,932	$ 2,473
Federal income taxes	$ -	$ 1,370
Non-cash investing activities:		
Change in net unrealized gain or loss on available-for-sale securities	$ (63,693)	$ (5,392)

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

United Bancshares, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
September 30, 2022

NOTE 1 – CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of United Bancshares, Inc. and subsidiaries (the "Corporation") have been prepared without audit and in the opinion of management reflect all adjustments (which include normal recurring adjustments) necessary to present fairly such information for the periods and dates indicated. Since the unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q, they do not contain all information and footnotes typically included in consolidated financial statements prepared in conformity with generally accepted accounting principles. Operating results for the nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. The balance sheet as of December 31, 2021 is derived from completed audited consolidated financial statements with footnotes, which are included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2021.

On May 5, 2022, a new subsidiary of the Corporation was incorporated under the name UBC Risk Management, Inc ("UBC Risk"). UBC Risk is a subsidiary of the Corporation and is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Corporation and its related subsidiaries. UBC Risk is regulated by the State of Nevada Division of Insurance.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, The Union Bank Company (the "Bank") and UBC Risk.

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. ("UBC Property"), to hold and manage certain property.

All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies of the Corporation conform to generally accepted practices within the banking industry. The Corporation considers all of its principal activities to be banking related.

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 is in the process of implementing software and testing methodologies available for calculating the allowance for credit losses under the requirements of ASU 2016-13 and has run a preliminary model to the Bank's existing methodology for the September 30, 2022 ACL calculation. Management has not yet determined the exact 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 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 does not expect this guidance to have a material impact on its consolidated financial statements.

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

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NOTE 3 - SECURITIES

The amortized cost, unrealized gains and losses, and fair value of available-for-sale securities as of September 30, 2022 and December 31, 2021 are as follows:

September 30, 2022	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
Available-for-sale:				
Obligations of states and political subdivisions	$ 161,546	$ 14	$ 33,462	$ 128,098
Mortgage-backed	167,743	-	24,840	142,903
Agency	2,500	-	350	2,150
Other	2,314	-	-	2,314
Total	$ 334,103	$ 14	$ 58,652	$ 275,465

December 31, 2021	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
Available-for-sale:				
Obligations of states and political subdivisions	$ 145,775	$ 5,494	$ 485	$ 150,784
Mortgage-backed	152,507	1,248	1,185	152,570
Agency	2,500	-	17	2,483
Other	1,805	-	-	1,805
Total	$ 302,587	$ 6,742	$ 1,687	$ 307,642

NOTE 4 – LOANS

The following tables present the activity in the allowance for loan losses by portfolio segment for the nine month periods ended September 30, 2022 and 2021:

(in thousands)

	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Balance at December 31, 2021	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355
Provision charged to expenses	99	170	(258)	(11)	-
Losses charged off	-	-	-	-	-
Recoveries	39	3	-	3	45
Balance at September 30, 2022	$ 1,857	$ 7,294	$ 1,156	$ 93	$ 10,400
Balance at December 31, 2020	$ 1,683	$ 6,664	$ 1,515	$ 132	$ 9,994
Provision charged to expenses	68	369	(131)	(6)	300
Losses charged off	-	-	-	(5)	(5)
Recoveries	3	17	1	1	22
Balance at September 30, 2021	$ 1,754	$ 7,050	$ 1,385	$ 122	$ 10,311

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of September 30, 2022 and December 31, 2021:

(in thousands)

September 30, 2022	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Allowance for loan losses:					
Attributable to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,857	7,294	1,156	93	10,400
Total allowance for loan losses	$ 1,857	$ 7,294	$ 1,156	$ 93	$ 10,400
Loans:					
Individually evaluated for impairment	$ -	$ 552	$ 1,090	$ -	$ 1,642
Acquired with deteriorated credit quality	74	62	-	-	136
Collectively evaluated for impairment	123,413	437,494	69,277	5,464	635,648
Total ending loans balance	$ 123,487	$ 438,108	$ 70,367	$ 5,464	$ 637,426

December 31, 2021	Residential 1 – 4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
Allowance for loan losses:					
Attributable to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	1,719	7,121	1,414	101	10,355
Total allowance for loan losses	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355
Loans:					
Individually evaluated for impairment	$ -	$ 676	$ 1,272	$ -	$ 1,948
Acquired with deteriorated credit quality	76	96	-	-	172
Collectively evaluated for impairment	112,120	404,192	85,562	5,565	607,439
Total ending loans balance	$ 112,196	$ 404,964	$ 86,834	$ 5,565	$ 609,559

The average recorded investment in impaired loans (excluding loans acquired with deteriorated credit quality) for the nine month period ended September 30, 2022 was $1,655,000 compared to $2,761,000 for the nine month period ended September 30, 2021. There was no allowance for loan losses specifically reserved as of September 30, 2022 or December 31, 2021. Additionally, there was approximately $72,000 in interest income recognized by the Corporation on impaired loans on an accrual or cash basis for the nine month period ended September 30, 2022 and $149,000 for the nine month period ended September 30, 2021.

The following table presents the recorded investment in nonaccrual loans, loans past due over 90 days still on accrual and troubled debt restructurings by class of loans as of September 30, 2022 and December 31, 2021. Nonaccrual loans primarily consist of smaller dollar homogenous loans that are collectively evaluated for impairment.

		(in thousands)	
September 30, 2022	**Nonaccrual**	**Loans past due over 90 days still accruing**	**Accruing Troubled Debt Restructurings**
Residential 1-4 family real estate	$ 190	$ -	$ 125
Commercial and multi family real estate	357	-	9
Agricultural real estate	-	-	-
Commercial	467	524	622
Agriculture	-	-	-
Consumer	-	-	-
Total	$ 1,014	$ 524	$ 756
December 31, 2021			
Residential 1-4 family real estate	$ 184	$ -	$ 139
Commercial and multi family real estate	136	-	14
Agricultural real estate	-	-	-
Commercial	-	-	767
Agriculture	-	-	-
Consumer	-	-	-
Total	$ 320	$ -	$ 920

There were $524,000 in commercial loans over 90 days but still accruing at September 30, 2022. These loans were originated through the Paycheck Protection Program (PPP) and are pending a determination of forgiveness from the SBA.

The following table presents the aging of the recorded investment in past due loans as of September 30, 2022 and December 31, 2021 by class of loans:

(in thousands)

September 30, 2022	**30 – 59 days past due**	**60 – 89 days past due**	**Greater than 90 days past due**	**Total past due**	**Loans not past due**	**Total**
Residential 1-4 family real estate	$ 556	$ -	$ 74	$ 630	$ 122,857	$ 123,487
Commercial and multi family real estate	206	-	234	440	383,035	383,475
Agricultural real estate	-	-	-	-	54,633	54,633
Commercial	435	69	992	1,496	60,104	61,600
Agriculture	-	-	-	-	8,767	8,767
Consumer	4	-	-	4	5,460	5,464
Total	$ 1,201	$ 69	$ 1,300	$ 2,570	$ 634,856	$ 637,426
December 31, 2021						
Residential 1-4 family real estate	$ 425	$ -	$ 48	$ 473	$ 111,723	$ 112,196
Commercial and multi family real estate	153	-	2	155	351,824	351,979
Agricultural real estate	-	-	-	-	52,985	52,985
Commercial	1,170	1,082	-	2,252	76,071	78,323
Agriculture	-	-	-	-	8,511	8,511
Consumer	5	-	-	5	5,560	5,565
Total	$ 1,753	$ 1,082	$ 50	$ 2,885	$ 606,674	$ 609,559

Credit Quality Indicators:

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

- **Pass:** Loans not meeting the previous criteria that are analyzed individually as part of the above described process are considered to be pass rated loans.

- **Special Mention:** Loans which possess some credit deficiency or potential weakness which deserves close attention, but which do not yet warrant substandard classification. Such loans pose unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future. The key distinctions of a Special Mention classification are that (1) it is indicative of an unwarranted level of risk, and (2) weaknesses are considered "potential", versus "defined", impairments to the primary source of loan repayment.

- **Substandard:** These loans are inadequately protected by the current sound net worth and paying ability of the borrower. Loans of this type will generally display negative financial trends such as poor or negative net worth, earnings, or cash flow. These loans may also have historic and/or severe delinquency problems, and Corporation management may depend on secondary repayment sources to liquidate these loans. The Corporation could sustain some degree of loss in these loans if the weaknesses remain uncorrected.

- **Doubtful:** Loans in this category display a high degree of loss, although the amount of actual loss at the time of classification is undeterminable. This should be a temporary category until such time that actual loss can be identified, or improvements made to reduce the seriousness of the classification.

The following table provides a summary of the loan portfolio risk grades, as applicable, based on the most recent analysis performed, as of September 30, 2022 and December 31, 2021. The Corporation risk rates all commercial and commercial real estate loans with the exception of PPP loans.

			(in thousands)		
September 30, 2022	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Not rated**
Residential 1 - 4 family	$ 2,328	$ -	$ -	$ -	$ 121,159
Commercial and multi- family real estate	429,118	566	8,424	-	-
Commercial	66,905	766	1,370	-	1,326
Consumer	-	-	-	-	5,464
Total	$ 498,351	$ 1,332	$ 9,794	$ -	$ 127,949
December 31, 2021					
Residential 1 - 4 family	$ 2,479	$ -	$ -	$ -	$ 109,717
Commercial and multi- family real estate	380,936	10,080	13,823	-	125
Commercial	77,772	228	2,272	-	6,562
Consumer	-	-	-	-	5,565
Total	$ 461,187	$ 10,308	$ 16,095	$ -	$ 121,969

The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan 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 September 30, 2022 and December 31, 2021:

	(in thousands)				
September 30, 2022	**Residential 1-4 family**	**Commercial and multi-family real estate**	**Commercial**	**Consumer**	**Total**
Performing	$ 121,085	$ -	$ 802	$ 5,464	$ 127,351
Nonperforming	74	-	524	-	598
Total	$ 121,159	$ -	$ 1,326	$ 5,464	$ 127,949
December 31, 2021					
Performing	$ 109,669	$ 125	$ 6,562	$ 5,565	$ 121,921
Nonperforming	48	-	-	-	48
Total	$ 109,717	$ 125	$ 6,562	$ 5,565	$ 121,969

Modifications:

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

When the Corporation modifies a loan, management evaluates any possible concession based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan 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.

There were no modifications for TDR loans for which there was a payment default during the nine month period ended September 30, 2022.

The Corporation acquired The Ohio State Bank ("OSB") in November 2014 and Benchmark Bank in September 2017. As a result of these 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 following is information related to loans acquired in these transactions, including purchased impaired loans:

	The Ohio State Bank (in thousands)		
	Contractual Principal Receivable	**Accretable Difference**	**Carrying Amount**
Purchased Performing Loans			
Balance at December 31, 2021	$ 7,024	$ (190)	$ 6,834
Change due to payments received	(1,294)	64	(1,230)
Balance at September 30, 2022	$ 5,730	$ (126)	$ 5,604
Purchased Impaired Loans			
Balance at December 31, 2021	$ 59	$ (9)	$ 50
Change due to payments received	20	4	24
Balance at September 30, 2022	$ 79	$ (5)	$ 74

	Benchmark Bank (in thousands)		
	Contractual Principal Receivable	**Accretable Difference**	**Carrying Amount**
Purchased Performing Loans			
Balance at December 31, 2021	$ 22,233	$ (328)	$ 21,905
Change due to payments received	(3,666)	79	(3,587)
Balance at September 30, 2022	$ 18,567	$ (249)	$ 18,318
Purchased Impaired Loans			
Balance at December 31, 2021	$ 260	$ (138)	$ 122
Change due to payments received	(70)	10	(60)
Balance at September 30, 2022	$ 190	$ (128)	$ 62

NOTE 5 – OTHER BORROWINGS

Other borrowings consists of the following at September 30, 2022 and December 31, 2021:

	(in thousands) September 30, 2022	December 31, 2021
United Bankers Bank		
Federal Funds purchased	$ -	$ 12
Note payable, with interest at 4.00% and $250,000 principal payments payable quarterly with any remaining unpaid principal, due December 1, 2028. All Union Bank stock is held as collateral.	6,250	7,000
Total other borrowings	$ 6,250	$ 7,012

Future maturities of other borrowings are as follows: 2022, $250,000; 2023, $1,000,000; 2024, $1,000,000; 2025 $1,000,000; 2026 $1,000,000; 2027 $1,000,000; 2028 $1,000,000.

The Corporation had $177,292,000, and $151,326,000, of borrowing availability under various line-of-credit agreements with the Federal Home Loan Bank and other financial institutions at September 30, 2022 and December 31, 2021, respectively.

NOTE 6 – 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 payable quarterly at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month LIBOR, amounting to 6.79% at September 30, 2022 and 3.37% at December 31, 2021. 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 through 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 carrying value as of September 30, 2022 and December 31, 2021 was $2,701,000 and $2,676,000, respectively. 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 5.63% at September 30, 2022 and 2.97% at December 31, 2021.

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, under Federal Reserve Board guidelines, the securities cannot be used to constitute more than 25% of the Corporation's core Tier I capital inclusive of these securities.

The Corporation is aware of the cessation of Libor and the potential impact to the rate on these debentures. The rate shall be replaced by a comparable equivalent or replacement benchmark rate or index giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities, which may include any selection, endorsement or recommendation by a Governmental authority ("Replacement Rate"), and the applicable interest rate will be replaced with a floating rate equal to such Replacement Rate, plus a spread or margin ("Replacement Spread") in the amount that, when added to the Replacement Rate in effect as of the date of the LIBOR Discontinuance Event (the "LIBOR Termination Date"), would result in the new floating rate being substantially equivalent to the original applicable interest rate in effect immediately prior to the LIBOR Termination Date.

Interest expense on the debentures amounted to $422,000 and $323,000 for the nine month periods ended September 30, 2022 and 2021, respectively, and is included in other borrowings interest expense in the accompanying consolidated statements of income.

NOTE 7 - FAIR VALUE MEASUREMENTS

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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.

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.

Financial assets (there were no financial liabilities) measured at fair value on a recurring basis at September 30, 2022 and December 31, 2021 include available-for-sale securities, which are valued using Level 1 and Level 2 inputs, as well as mortgage servicing rights, amounting to $2,269,000 at September 30, 2022 and $1,868,000 at December 31, 2021, which are valued using Level 3 inputs.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during the period ended September 30, 2022, due to the lack of observable quotes in inactive markets for those instruments at September 30, 2022.

The tables below present a reconciliation and income statement classification of gains and losses for mortgage servicing rights, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine month period ended September 30, 2022 and for the year ended December 31, 2021:

	(in thousands) September 30, 2022	December 31, 2021
Mortgage Servicing Rights		
Balance at beginning of period	$ 1,868	$ 1,132
Gains or losses, including realized and unrealized:		
Purchases, issuances, and settlements	228	628
Disposals - amortization based on loan payments and payoffs	(155)	(187)
Changes in fair value	328	295
Balance at end of period	$ 2,269	$ 1,868

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 securities, 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 are classified within Level 3 of the valuation hierarchy.

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 recent appraisals or evaluations as well as 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 15% and 35% of appraised 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.

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 8% and 10%, in addition to prepayment, internal rate of return, servicing costs, inflation rate of servicing costs and earnings rate assumptions 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.

Certain other financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. Financial assets and financial liabilities, excluding impaired loans and other real estate owned, measured at fair value on a nonrecurring basis were not significant at September 30, 2022 and December 31, 2021.

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of recognized financial instruments at September 30, 2022 and December 31, 2021 were as follows:

(in thousands)	September 30, 2022		December 31, 2021		
	Carrying amount	Estimated value	Carrying amount	Estimated value	Input Level
FINANCIAL ASSETS					
Cash and cash equivalents	$ 49,001	$ 49,001	$ 75,202	$ 75,202	1
Securities, including FHLB stock	279,325	279,325	312,771	312,771	2,3
Loans held for sale	8,078	8,078	9,146	9,146	3
Net loans	627,026	618,044	599,204	600,512	3
Mortgage servicing rights	2,269	2,269	1,868	1,868	3
Hedging assets	480	480	922	922	3
Total Financial Assets	$ 966,179	$ 957,197	$ 999,113	$ 1,000,421	
FINANCIAL LIABILITIES					
Deposits					
Maturity	$ 105,000	$ 101,636	$ 129,447	$ 129,196	3
Non-maturity	855,769	855,769	800,966	800,966	1
Other borrowings	6,250	6,250	7,012	7,012	3
Junior subordinated deferrable interest debentures	13,001	9,236	12,976	10,931	3
Hedging liabilities	-	-	46	46	3
Total Financial Liabilities	$ 980,020	$ 972,891	$ 950,447	$ 948,151	

The above summary does not include accrued interest receivable or 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.

There are also unrecognized financial instruments at September 30, 2022 and December 31, 2021 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounted to $206,965,000 at September 30, 2022 and $198,681,000 at December 31, 2021. Such amounts are also considered to be the estimated fair values.

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

Cash and cash equivalents:

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

Securities:

The fair value of securities is determined based on quoted market prices of the individual securities; if not available, estimated fair value is obtained by comparison to other known securities with similar risk and maturity characteristics. Such value does not consider possible tax ramifications or estimated transaction costs.

Loans held for sale:

The fair value of loans held for sale is determined based on the sales price of similar loans. Loan held for sale are typically held for 60 days or less.

Loans:

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

Mortgage servicing rights:

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

Derivative assets and liabilities:

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

Deposit liabilities:

The fair value of core deposits, including demand deposits, savings accounts, and certain money market deposits, is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated using the rates offered at quarter 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 borrowings and junior subordinated deferrable interest debentures:

The fair value of other borrowings and junior subordinated deferrable interest debentures are determined using the net present value of discounted cash flows based on current borrowing rates for similar types of borrowing arrangements, and are obtained from an independent third party.

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 other liabilities is generally considered to be carrying value except for the deferred compensation agreement. The fair value of the contract is determined based on a discounted cash flow analysis using a current interest rate for a similar instrument.

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 9 – STOCK OPTIONS

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 35,966 options during 2022 at an exercise price of $23.10, 21,958 options during 2021 at an exercise price of $34.60, and 63,858 options during 2020 at an exercise price of $19.83 under the Plan. Following is a summary of activity for stock options for the nine month periods ended September 30, 2022 and September 30, 2021:

	September 30, 2022	September 30, 2021
Outstanding, beginning of period	133,792	157,817
Granted	35,966	-
Exercised	(23,356)	(17,590)
Forfeited	(3,224)	(12,659)
Outstanding, end of period	143,178	127,568
Weighted average exercise price at end of quarter	$ 22.71	$ 19.93

Options vest over a three-year period on the anniversary of the date of grant. At September 30, 2022, 79,462 options were vested compared to 78,176 options vested at September 30, 2021 and outstanding options had a weighted average remaining contractual term of 8.0 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 that are still vesting:

	2022	2021	2020
Weighted-average fair value of options granted	$ 6.95	$ 11.19	$ 4.83
Average dividend yield	3.64%	2.23%	2.93%
Expected volatility	40.00%	40.00%	40.00%
Risk-free interest rate	2.90%	1.00%	0.49%
Expected term (years)	7	7	7

Total compensation expense related to the stock options granted in 2022, net of forfeitures, is expected to be $250,000 and is being recognized ratably over the 36 month period beginning August 1, 2022. Total compensation expense related to the stock options granted in 2021, net of forfeitures, is expected to be $225,000 and is being recognized ratably over the 36 month period beginning July 1, 2021. Total compensation expense related to the stock options granted in 2020, net of forfeitures, is expected to be $248,000 and is being recognized ratably over the 36 month period beginning July 1, 2020. Stock option expense for outstanding awards amounted to $56,000 and $167,000 for the quarter and nine months ended September 30, 2022 and $58,000 and $127,000 for the quarter and nine months ended September 30, 2021.

NOTE 10 – NON-INTEREST INCOME

The Corporation's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income. The material groups of non-interest 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 Corporation's performance obligations are satisfied at the time of the transaction or over the course of a month.

Interchange fee income:

The Corporation 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 Corporation 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 Corporation'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 Corporation has satisfied its performance obligation.

The following table presents the Corporation's non-interest income for the nine months ended September 30, 2022 and 2021. Items outside the scope of ASC 606 are noted as such.

	Nine months ended September 30,	
	2022	2021
Service charges on deposit accounts	$ 942	$ 790
Gain on sale of loans (1)	1,535	11,257
Net securities gains (losses) (1)	(116)	(7)
Change in fair value of mortgage servicing rights (1)	328	264
Increase in cash surrender value of life insurance (1)	1,067	309
Other		
Interchange fees	1,337	1,365
Wealth management	357	304
Net servicing fees (1)	401	367
Other non-interest income	2,278	(419)
Total non-interest income	$ 8,129	$ 14,230

(1) Not within the scope of ASC 606

NOTE 11 – SUBSEQUENT EVENTS

Management evaluated subsequent events through the date the consolidated financial statements were issued. Events or transactions occurring after September 30, 2022, but prior to when the consolidated financial statements were issued, that provided additional evidence about conditions that existed at September 30, 2022 have been recognized in the consolidated financial statements for the period ended September 30, 2022. Events or transactions that provided evidence about conditions that did not exist at September 30, 2022 but arose before the financial statements were issued have not been recognized in the consolidated financial statements for the period ended September 30, 2022.

On October 18, 2022, the Corporation's Board of Directors approved a cash dividend of $0.21 per common share payable on December 15, 2022 to shareholders of record at the close of business on November 30, 2022.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA

The following data should be read in conjunction with the unaudited consolidated financial statements and management's discussion and analysis that follows:

	As of or for the three months ended September 30,		As of or for the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
SIGNIFICANT RATIOS (Unaudited)				
Net income to:				
Average assets (a)	1.15%	1.54%	0.96%	1.39%
Average tangible shareholders' equity (non-GAAP) (a)	20.33%	18.59%	14.90%	17.03%
Net interest margin (a)	3.91%	4.12%	3.65%	3.84%
Efficiency ratio (a)	71.42%	65.33%	73.62%	66.68%
Average shareholders' equity to average assets	8.34%	11.05%	9.18%	11.02%
Loans to deposits (end of period)	66.35%	63.58%	66.35%	63.58%
Allowance for loan losses to loans (end of period)	1.63%	1.75%	1.63%	1.75%
Book value per share	$ 22.79	$ 35.46	$ 22.79	$ 35.46
Tangible book value per share (a)	$ 13.83	$ 26.56	$ 13.83	$ 26.56

(a) Some of the financial measures included in this table are not measures of financial performance recognized by U.S. Generally Accepted Accounting Principles, or GAAP. These non-GAAP financial measures include tangible book value, return on average tangible equity, net interest margin (tax-equivalent), and the efficiency ratio. Management uses these non-GAAP financial measures in its analysis of its performance, and believes financial analysts and investors frequently use these measures, and other similar measures, to evaluate capital adequacy. Reconciliations of non-GAAP disclosures used in this table to the comparable GAAP measures are provided in the accompanying table. Management, as well as regulators, financial analysts and other investors may use these measures in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions.

These non-GAAP financial measures should not be considered in isolation or as a substitute for total shareholders' equity, total assets, book value per share, return on average assets, return on average equity, or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate these non-GAAP financial measures may differ from that of other companies reporting measures with similar names.

Reconciliation of common shareholders' equity to tangible common equity	**September 30, 2022**	**September 30, 2021**
Shareholders' equity	$ 73,820	$ 116,144
Less goodwill and other intangibles	28,616	29,151
Tangible common equity	$ 45,204	$ 86,993
Average shareholders' equity	$ 98,637	$ 114,244
Less average goodwill and other intangibles	29,057	29,199
Average tangible common equity	$ 69,580	$ 85,045
Tangible Book Value per Common Share		
Tangible common equity (a)	$ 45,204	$ 86,993
Total common shares issued and outstanding (b)	3,269,647	3,275,430
Tangible book value per common share (a)/(b)	$ 13.83	$ 26.56
Return on Average Tangible Equity		
Year-to-date net income, annualized (c)	$ 10,368	$ 14,484
Average tangible common equity (d)	$ 69,580	$ 85,045
Return on average tangible common equity (c/d)	14.90%	17.03%
Net Interest Margin, Tax- Equivalent		
Year-to-date net interest income, annualized	$ 34,951	$ 35,989
Tax-equivalent adjustment	984	745
Tax-equivalent net interest income, annualized (e)	$ 35,935	$ 36,735
Average earning assets (f)	$ 983,763	$ 957,815
Net interest margin, tax equivalent (e)/(f)	3.65%	3.84%
Efficiency Ratio, Tax-Equivalent		
Year-to-date non-interest expense, annualized (g)	$ 34,436	$ 37,145
Year-to-date tax-equivalent net interest income, annualized	35,935	36,735
Year-to-date non-interest income, annualized	10,839	18,973

Year-to-date total revenue, annualized (h)	$ 46,773	$ 55,708
Efficiency ratio (g)/(h)	73.62%	66.68%

Forward-Looking Statements

When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements are subject to numerous assumptions, risks, and uncertainties. Actual results could differ materially from those contained or implied by such statements for a variety of factors, including: changes in economic conditions; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the nature, extent, and timing of government actions and reforms; and extended disruption of vital infrastructure and the impact of the COVID-19 pandemic. Significant progress has been made to combat the outbreak of COVID-19, and while it appears that the epidemiological and macroeconomic conditions are trending in a positive direction as of September 30, 2022, if there is a resurgence in the virus, United Bancshares, Inc. (the "Corporation") could experience further adverse effects on its business, financial condition, results of operations and cash flows.

The Corporation cautions readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. The Corporation does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

Introduction

The Corporation is a registered financial holding company incorporated under Ohio law 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. The Corporation is a one-bank holding company, as that term is defined by the Federal Reserve Board.

The Union Bank Company (the “Bank”), a wholly-owned subsidiary of the Corporation, is a full service community bank offering a full range of commercial and consumer banking services. The Bank is an Ohio state-chartered bank, which serves Allen, Delaware, Franklin, Hancock, Huron, Marion, Paulding, Putnam, Sandusky, Van Wert and Wood counties in Ohio, 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.

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 Federal Deposit Insurance Corporation.

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

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

The Corporation is registered as a Securities Exchange Act of 1934 reporting company, however the Corporation filed a Form 25 with the SEC to remove its common stock from listing on the NASDAQ Capital Market and to deregister its stock under Section 12(b) of the Exchange Act on August 17, 2022. The last trading day of its shares of common stock on the NASDAQ Capital Market was August 26, 2022. As of August 29, 2022, the corporation's shares commenced trading on the OTCQX Market under the symbol "UBOH". The Corporation filed a Form 15 with the SEC on September 1, 2022, to terminate the registration of its common stock under section 12(g) of the Exchange Act. Once the termination is effective, which is expected to occur within 90 days of filing, the Company’s obligation to file proxy materials and comply with Section 16 Exchange Act beneficial ownership reporting rules will end.

The obligation of the Corporation to file periodic reports with the SEC, including reports on Forms 10-K, 10-Q and 8-K, pursuant to Section 15(d) of the Exchange Act, will continue for the balance of its fiscal year ending December 31, 2022. The Corporation intends to file a Form 15 with the SEC after the filing of its Annual Report on SEC form 10-K for its fiscal year ended December 31, 2022, filed in early 2023, and upon such filing the Company’s obligation to file reports under Section 15(d) of the Exchange Act, including SEC Form 10-K, 10-Q, and 8-K, will be suspended immediately.

The following discussion and analysis of the consolidated financial statements of the Corporation is presented to provide insight into management’s assessment of the financial results.

Economic Environment

Growth in the U.S. economy has slowed in 2022, compared to the higher rates of growth experienced in 2021, as pressures from higher inflation and rising energy prices as well as concerns over the Russia-Ukraine war and the continued economic uncertainty caused by the COVID-19 pandemic resulted in U.S. Gross Domestic Product ("GDP") that shrank slightly in the first half of 2022, before rebounding somewhat in the third quarter. Despite the FRB's efforts to control inflation by raising short-term interest rates, it remains elevated, reflecting supply and demand imbalances related to the pandemic and higher energy prices as well as other broader price pressures, and exceeded an annual rate of 8.2% in the first nine months of 2022, well above the FRB's target inflation rate. In addition, the Russia-Ukraine war and related events are likely to create additional upward pressure on inflation and weigh on economic activity. Other geo-political pressures and mid-term elections continue to play a part in the uncertain economic conditions through the end of the year. Despite the fact that GDP declined slightly in the first and second quarters, before recovering slightly in the third quarter of 2022, the total unemployment rate has remained low, and is 3.5 percent at September 2022 compared with 3.9 percent at December 2021. The FRB has increased short-term interest rates by 300 basis points year-to-date in 2022 and indicated that ongoing increases in short-term interest rates will continue in the last quarter of 2022 and early in 2023 to control the rate of inflation.

As a result of these uncertainties, our credit administration continues to closely monitor and analyze the higher risk segments within the loan portfolio, tracking loan payment deferrals, customer liquidity and providing timely reports to senior management and the board of directors. Based on the Corporation's capital levels, prudent underwriting policies, loan concentration diversification and our geographic footprint, we are cautiously optimistic that the Corporation is positioned to continue managing the impact of the varied set of risks and uncertainties currently impacting our customer base and local economies. While we remain adequately capitalized, with strong levels of loan loss provisions, the Corporation may be required to make additional loan loss provisions as warranted by the extremely fluid global economic condition.

RESULTS OF OPERATIONS

Overview of the Income Statement

For the quarter ended September 30, 2022, the Corporation reported net income of $3,086,000, or $0.94 basic earnings per share, a decrease of $1,006,000 (24.6%) compared to the third quarter of 2021 net income of $4,092,000, or $1.25 basic earnings per share. The decrease in operating results for the third quarter of 2022 as compared to the same period in 2021 was primarily attributable to a decrease in non-interest income of $1,889,000 (40.1%) and a decrease in net interest income of $574,000 (5.8%), offset by a decrease in non-interest expenses of $815,000 (8.4%), and a decrease in the provision for income taxes of $642,000 (76.2%). The third quarter results include a $793,000, or $0.24 basic earnings per share, increase in non-interest income due to a BOLI death benefit payment.

Net income for the nine months ended September 30, 2022 totaled $7,776,000, or $2.37 basic earnings per share, compared to $10,863,000, or $3.31 basic earnings per share for the same period in 2021, a decrease of $3,087,000 (28.4%). The decrease in operating results for the nine month period ended September 30, 2022 as compared to the nine month period ended September 30, 2021 was primarily attributable to a decrease in net interest income of $779,000 (2.9%) and a decrease in non-interest income of $6,101,000 (42.9%), offset by a decrease in non-interest expenses of $2,032,000 (7.3%), a decrease in the provision for loan losses of $300,000, and a decrease in the provision for income taxes of $1,461,000 (66.4%).

Net Interest Income

Net interest income is the amount by which income from interest-earning assets exceeds interest incurred on interest-bearing liabilities. Interest-earning assets consist principally of loans and investment securities while interest-bearing liabilities include interest-bearing deposit accounts and borrowed funds. Net interest income remains the primary source of revenue for the Corporation. Changes in market interest rates, as well as changes in the mix and volume of interest-bearing assets and interest-bearing liabilities impact net interest income. Net interest income was $9,329,000 for the third quarter of 2022, compared to $9,903,000 for the same period of 2021, a decrease of $574,000 (5.8%). Net interest income was $26,213,000 for the nine months ended September 30, 2022 compared to $26,992,000 for the same period of 2021, a decrease of $779,000 (2.9%).

The decrease of $574,000 in net interest income for the quarter ended September 30, 2022 is attributable to a decrease in interest income of $522,000 (4.9%) and a $52,000 (7.0%) decrease in interest expense. The decrease of $779,000 in net interest income for the nine months ended September 30, 2022 was due to a decrease in interest income of $1,242,000 (4.2%), offset by a decrease of interest expense of $463,000 (19.3%).

The $522,000 decrease in interest income for the three months ended September 30, 2022 was a result of a $1,286,000 (13.8%) decrease in loan interest income, partially offset by an increase in investment portfolio income of $525,000 and an increase in other interest income of $239,000. The reduction in loan interest income was due to a $2,238,000 reduction in the loan fee income generated through PPP loans offset by an increase of $952,000 in loan interest income from higher volumes. The increase in the investment portfolio income was due to increased volumes when compared to the previous year and the increase in other interest income was due to higher interest earned on balances at the Federal Reserve.

Interest income decreased $1,242,000 for the nine months ended September 30, 2022. Loan interest income decreased $3,232,000, due primarily to a reduction in PPP loan fees of $3,722,000, offset by an increase of $490,000 in interest income from rising portfolio rates and volumes. Investment portfolio income increased $1,622,000 due to increased volumes, and other interest income increased $368,000 due to higher interest earned on balances at the Federal Reserve.

The yield on average earning assets was 3.91% for the nine months ended September 30, 2022 compared to 4.17% for the same period of 2021. This is due to the decrease in PPP and mortgage origination fees and a shifting mix of earning assets. The average interest-bearing cash, securities, and loan balances were $52.9 million, $300.8 million and $630.0 million for the nine months ended September 30, 2022, respectively compared to $97.4 million, $219.8 million and $640.6 million for the nine months ended September 30, 2021, respectively. The average loan balance decreased $10.6 million between the periods as a result of the average balance of PPP loans decreasing $64.7 million between the periods, offset by $54.1 million in new loan growth.

Interest expense increased $52,000 for the three months ended September 30, 2022, and decreased $463,000 for the nine months ended September 30, 2022 compared to the same periods in 2021. Interest expense increased in the third quarter of 2022 due to the increase in interest rates increasing the cost of funds to 0.42% for the third quarter of 2022 compared to 0.40% in the third quarter of 2021. Year-to-date deposit expense has decreased as the year-to-date average balance of higher yielding time deposits decreased $42.9 million, while lower yielding non-maturity deposit accounts increased $101.9 million. This lowered the cost of funds for the nine months ended September 30, 2022 to 0.34% compared to 0.44% for the same period of 2021. Management expects the cost of funds to increase through the remainder of 2022 and 2023 as deposit offering rates for non-maturity and time deposits have increased with the market and competition.

Net interest margin is calculated by dividing net interest income (adjusted to reflect tax-exempt interest income on a taxable equivalent basis) by average interest-earning assets. The resulting percentage serves as a measurement for the Corporation in comparing its results with those of past periods as well as those of peer institutions. For the quarter and nine months ended September 30, 2022 the net interest margin (on a taxable equivalent basis) was 3.91% and 3.65% compared with 4.12% and 3.84% for the same periods in 2021. This decrease can largely be attributed to PPP fee collected in the comparable periods in 2021. Loans comprised 66.9% of interest-earning assets at September 30, 2022 compared to 61.0% of interest-earning assets at September 30, 2021. Interest-bearing deposits comprised 97.5% of interest-bearing liabilities at September 30, 2022, compared to 97.2% for the same period in 2021.

Provision for Loan Losses

The Corporation’s provision for loan losses is determined based upon management’s calculation of the allowance for loan losses and is reflective of management’s assessment of the quality of the portfolio and overall management of the inherent credit risk of the loan portfolio. Changes in the provision for loan losses are dependent, among other things, on loan delinquencies, collateral position, portfolio risks and general economic conditions in the Corporation’s lending markets. In assessing the adequacy of the allowance, management considers the size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, and historical loan loss experience. However, there is no assurance that loan credit losses will not exceed the allowance, and any growth in the loan portfolio and the uncertainty of the general economy may require additional provisions in future periods.

Due to a general stabilization of uncertainties related to COVID-19 in the regional and broader U.S. economy, as well as the current status of the Bank's loan portfolio, there was no provision for loan losses recognized during the nine-month period ended September 30, 2022, compared to a $300,000 provision for the nine months ended September 30, 2021. The allowance for loan losses at September 30, 2022 is 1.63% of total loans compared to 1.75% of total loans at September 30, 2021.

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. See “Allowance for Loan Losses” under Financial Condition for further discussion relating to the provision for loan losses.

Non-Interest Income

The Corporation’s non-interest income is largely generated from activities related to the origination, servicing and gain on sales of fixed rate mortgage loans; customer deposit account fees; earnings on life insurance policies; income arising from sales of investment products to customers; and occasional security sale transactions. Income related to customer deposit accounts and life insurance policies provides a relatively steady flow of income while the other sources are more volume or transaction related and consequently can vary from quarter to quarter.

For the quarter ended September 30, 2022, non-interest income was $2,823,000, compared to $4,712,000 for the third quarter of 2021, a decrease of $1,889,000. The decrease was primarily attributable to a decrease in gain on sales of loans of $2,947,000 (77.6%), offset by an increase in other non-interest income of $1,092,000 (119.1%).

Non-interest income for the nine months ended September 30, 2022 totaled $8,129,000, compared to $14,230,000 for the same period in 2021, a decrease of $6,101,000. The decrease in non-interest income was primarily attributable to decreases in gain on sales of loans of $9,722,000 (86.4%), offset by an increase in other non-interest income of $3,730,000 (125.2%).

The significant decrease in gain on sale of loans was attributable to a decrease in loan activity by the residential mortgage operations, along with a decrease in the net gain on sale, expressed as a percentage of loan balances sold. During the quarter ended September 30, 2022, there were 158 loans sold totaling $41.666 million, compared to 328 loans sold totaling $90.4 million during the same period of 2021. The net gain on sale was 1.77% for the third quarter of 2022 compared to 4.06% for the same period of 2021. For the nine months ended September 30, 2022, there were 541 loans sold totaling $148.7 million at a net gain on sale of 0.79% compared to the same period of 2021 when there were 1,098 loans sold totaling $286.9 million at a net gain on sale of 3.76%.

The increases in other non-interest income of $1,092,000 for the quarter ended September 30, 2022 and $3,730,000 year-to-date are both primarily due to increases in income from the Corporation’s loan hedging program and a $793,000 increase in BOLI income due to a death benefit payment.

Non-Interest Expenses

For the quarter ended September 30, 2022, non-interest expenses were $8,865,000, compared to $9,680,000 for the comparable quarter of 2021, a $815,000 decrease. The significant quarter-over-quarter decreases include salaries and benefits of $604,000 (11.2%), a result of lower mortgage loan commissions, loan origination expenses of $219,000 (46.8%), data processing expense of $125,000 (21.2%), and advertising and promotional expense of $119,000 (21.1%), offset by increases in exam and auditing expense of $61,000 (42.3%), and legal fees of $58,000 (190.9%).

Non-interest expenses were $25,827,000 for the nine months ended September 30, 2022, compared to $27,859,000 for the same period in 2021, a decrease of $2,032,000. The decrease in non-interest expenses was primarily attributable to decreases in salaries and benefits of $1,480,000 (9.4%), a result of lower mortgage loan commissions, loan origination expenses of $486,000 (39.7%), advertising and promotional expense of $294,000 (17.8%), and data processing expense of $233,000 (13.6%) offset by increases in equipment service expense of $75,000 (8.7%), travel and entertainment expense of $92,000 (133.9%), ATM processing expense of $63,000 (10.1%), and Ohio franchise tax expense of $62,000 (10.6%).

Maintaining acceptable levels of non-interest expenses and operating efficiency are key performance indicators for the Corporation in its strategic initiatives. The financial services industry uses the efficiency ratio (total non-interest expense as a percentage of the aggregate of fully-tax equivalent net interest income and non-interest income) as one of the key indicators of performance. For the quarter ended September 30, 2022, the Corporation’s efficiency ratio was 71.42%, compared to 65.33% for the same period of 2021. For the nine months ended September 30, 2022, the Corporation's efficiency ratio was 73.62% compared to 66.68% for the same period of 2021. A lower efficiency ratio generally indicates that a bank is spending less to generate every dollar of income. The increase in the efficiency ratio between the quarter and year-to-date periods is due to the significant reduction in residential mortgage activity, which has reduced non-interest income at a faster pace than non-interest expenses.

Provision for Income Taxes

The provision for income taxes for the quarter ended September 30, 2022, was $201,000 (effective rate of 6.1%), compared to $843,000 (effective rate of 17.1%) for the comparable 2021 period. The provision for the nine-month period ended September 30, 2022 was $739,000 (effective rate of 8.7%) compared to $2,200,000 (effective rate of 16.8%) for the comparable 2021 period. The decrease in the effective tax rate is largely due to tax-exempt securities and the BOLI death benefit payment comprising 41.5% of pre-tax income year-to-date September 30, 2022, compared to 15.5% for the comparable period in 2021.

FINANCIAL CONDITION

Overview of Balance Sheet

Total assets amounted to $1.06 billion at September 30, 2022 compared to $1.08 billion at December 31, 2021, a decrease of $17.3 million (1.6%). The decrease in total assets was primarily the result of decreases of $26.2 million (34.8%) in cash and cash equivalents, and $32.2 million (10.5%) in securities available for sale, offset by a $27.9 million (4.6%) increase in loans, and $13.5 million increase in other assets (136.4%). Deposits totaled $960.8 million at September 30, 2022, compared to $930.4 million at December 31, 2021, an increase of $30.4 million (3.3%).

Shareholders' equity decreased by $45.3 million (38.0%) from $119.1 million at December 31, 2021 to $73.8 million at September 30, 2022. This was the result of an increase in unrealized losses on available for sale securities, net of tax of $50.3 million and dividends paid of $2,067,000 offset by net income of $7,776,000. The increase in unrealized losses on available for sale securities from December 31, 2021 to September 30, 2022 was attributable to increasing long-term treasury yields. Net unrealized gains and losses on available for sale securities are reported as accumulated other comprehensive (loss) income in the consolidated balance sheets.

Cash and Cash Equivalents

Cash and cash equivalents totaled $49.0 million at September 30, 2022 and $75.2 million at December 31, 2021, including interest-bearing deposits in other banks of $35.5 million at September 30, 2022 and $63.5 million at December 31, 2021. Management believes the current level of cash and cash equivalents is sufficient to meet the Corporation's present liquidity and performance needs especially considering the availability of other funding sources, as described below. Total cash and cash equivalents fluctuate on a daily basis due to transactions in process and corresponding liquidity sources and uses. Management believes the Corporation's liquidity needs in the near term will be satisfied by the current level of cash and cash equivalents, readily available access to traditional and non-traditional funding sources, and the portions of the investment and loan portfolios that will mature within one year. These sources of funds should enable the Corporation to meet cash obligations and off-balance sheet commitments as they come due. In addition, the Corporation has access to various sources of additional borrowings by virtue of long-term assets that can be used as collateral for such borrowings.

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 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 incomes taxes.

The amortized cost and fair value of available-for-sale securities as of September 30, 2022 totaled $334.1 million and $275.5 million, respectively, resulting in net unrealized loss before tax of $58.6 million and a corresponding after-tax loss reflected in shareholders' equity of$46.3 million. While the unrealized loss negatively impacts tangible book value, and is being monitored closely, the Corporation has significant sources of liquidity, mitigating the risk of having to sell available-for-sale securities and realizing a loss.

Loans

The Corporation's primary lending areas are Northwestern, West Central, and Central Ohio. Gross loans totaled $637.4 million at September 30, 2022, compared to $609.6 million at December 31, 2021, an increase of $27.8 million (4.6%). As compared to December 31, 2021, commercial and multi-family real estate loans increased $33.1 million, residential 1-4 family real estate loans increased $11.3 million, commercial loans decreased $16.5 million, and consumer loans decreased $101,000. Loans originated through the PPP program are included in the Commercial segment and had an outstanding balance of $1.2 million as of September 30, 2022 and $6.6 million at December 31, 2021. Excluding the impact of PPP loans forgiven, loans increased $33.2 million at September 30, 2022 as compared to December 31, 2021.

There are also unrecognized financial instruments at September 30, 2022 and December 31, 2021 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments approximated $207.0 million at September 30, 2022 and $198.7 million at December 31, 2021.

Loan demand has been moderate through the first nine months of 2022, and it is possible that 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. The Corporation continues to source relationship-based clients in markets and geographies that we are familiar with and understand.

Allowance for Loan Losses

The following table presents a summary of activity in the allowance for loan losses for the nine-month periods ended September 30, 2022 and 2021:

	(in thousands) Nine months ended September 30, 2022	2021
Balance, beginning of period	$ 10,355	$ 9,994
Provision for loan losses	-	300
Charge offs	-	(5)
Recoveries	45	22
Net recoveries	45	17
Balance, end of period	$ 10,400	$ 10,311

The allowance for loan losses as a percentage of gross loans was 1.63% at September 30, 2022, 1.70% at December 31, 2021, and 1.75% at September 30, 2021. Excluding PPP loans and the related allocation of allowance, the allowance for loan losses as a percentage of gross loans was 1.63% at September 30, 2022, 1.72% at December 31, 2021, and 1.82% at September 30, 2021. Based on current economic indicators, the Corporation increased the economic factors within the allowance for loan losses evaluation.

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

Loans on non-accrual status amounted to $1,014,000 at September 30, 2022 and $320,000 at December 31, 2021. Non-accrual loans as a percentage of outstanding loans amounted to 0.16% at September 30, 2022 and 0.05% at December 31, 2021.

There were $524,000 in commercial loans over 90 days but still accruing at September 30, 2022. These loans were originated through the PPP program and are pending a determination of forgiveness from the SBA.

The Corporation considers a loan to be impaired when it becomes probable that the Corporation will be unable to collect under the contractual terms of the loan based on current information and events. The Corporation had impaired loans totaling $1,642,000 at September 30, 2022 and $1,948,000 at December 31, 2021

In addition to impaired loans the Corporation had other potential problem credits, consisting of loans graded substandard or special mention, as well as loans over 90 days past due, loans on non-accrual, and TDR loans, amounting to $10.3 million at September 30, 2022 and $24.7 million at December 31, 2021. The Corporation's credit administration department continues to closely monitor these credits.

The Corporation provides pooled reserves for potential problem loans using loss rates calculated considering historic net loan charge-off experience, as well as other environmental and qualitative factors. The Corporation experienced no loan charge-offs during the first nine months of 2022 compared to $5,000 during the first nine months of 2021. The Corporation also provides pooled general reserves for the remaining portion of its loan portfolio not considered to be problem or potential problem loans. These general reserves are also calculated considering, among other things, the historic net charge-off experience for the related loan type.

Funding Sources

The Corporation considers a number of alternatives, including but not limited to, deposits, as well as short-term and long-term borrowings when evaluating funding sources. Deposits, including customer deposits, and public funds deposits continue to be the most significant source of funds for the Corporation, totaling $960.8 million, or 97.5% of the Corporation's outstanding funding sources at September 30, 2022, compared to $930.4 million at December 31, 2021.

Non-interest bearing deposits comprised 22.6% of total deposits at September 30, 2022 and 21.0% at December 31, 2021.

In addition to traditional deposits, the Corporation maintains both short-term and long-term borrowing arrangements. Other borrowings consisted of $6,250,000 and $7,012,000 of a term borrowing from the United Bankers' Bank (UBB) at September 30, 2022 and December 31, 2021, respectively. The Corporation also has outstanding junior subordinated deferrable interest debentures of $13,001,000 and $12,976,000 at September 30, 2022 and December 31, 2021, respectively. Management plans to maintain access to various borrowing alternatives as an appropriate funding source.

Regulatory Capital

The Corporation and Bank met all regulatory capital requirements as of September 30, 2022, and the Bank is considered "well capitalized" under regulatory and industry standards of risk-based capital.

Cash Flow from Operations

As part of the Bank's hedging program, loans held for sale are accumulated into larger blocks before being sold. Depending on the timing of the sales of these blocks, there could be a positive or negative impact to net income and cash flow from operations. As of September 30, 2022, loans held for sale amounted to $8,078,000 compared to $9,146,000 as of December 31, 2021 resulting in a positive impact to cash flow from operations for the nine month period ended September 30, 2022 of $1,068,000. There was a positive impact on cash flow from operations for the nine-month period ended September 30, 2021 of $3,882,000 from a decrease in loans held for sale. Excluding these changes in loans held for sale, cash flow from operations for the nine months ended September 30, 2022 and 2021 would have been a positive $10,275,000 and $18,610,000, respectively.

Liquidity and Interest Rate Sensitivity

The objective of the Corporation's asset/liability management function is to maintain consistent growth in net interest income through management of the Corporation's balance sheet liquidity and interest rate exposure based on changes in economic conditions, interest rate levels, and customer preferences.

The Corporation manages interest rate risk to minimize the impact of fluctuating interest rates on earnings. The Corporation uses simulation techniques that attempt to measure the volatility of changes in the level of interest rates, basic banking interest rate spreads, the shape of the yield curve, and the impact of changing product growth patterns. The primary method of measuring the sensitivity of earnings of changing market interest rates is to simulate expected cash flows using varying assumed interest rates while also adjusting the timing and magnitude of non-contractual deposit re-pricing to more accurately reflect anticipated pricing behavior. These simulations include adjustments for the lag in prime loan re-pricing and the spread and volume elasticity of interest-bearing deposit accounts, regular savings and money market deposit accounts.

The principal function of interest rate risk management is to maintain an appropriate relationship between those assets and liabilities that are sensitive to changing market interest rates. The Corporation closely monitors the sensitivity of its assets and liabilities on an ongoing basis and projects the effect of various interest rate changes on its net interest margin. Interest sensitive assets and liabilities are defined as those assets or liabilities that mature or re-price within a designated time frame.

Management believes the Corporation's current mix of assets and liabilities provides a reasonable level of risk related to significant fluctuations in net interest income and the resulting volatility of the Corporation's earning base. The Corporation's management reviews interest rate risk in relation to its effect on net interest income, net interest margin, and the volatility of the earnings base of the Corporation.

Effects of Inflation on Financial Statements

All of the Corporation's assets relate to commercial banking operations and are generally monetary in nature. Therefore, they are not impacted by inflation to the same degree as companies in capital-intensive industries in a replacement cost environment. During a period of rising prices, a net monetary asset position results in loss of purchasing power and conversely a net monetary liability position results in an increase in purchasing power. In the commercial banking industry, monetary assets typically exceed monetary liabilities. The Corporation has not experienced a significant level of inflation or deflation during the nine-month period ended September 30, 2022. Management continues to closely monitor interest rate sensitivity trends through the Corporation's asset liability management program and in calculating the allowance for loan losses.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to Smaller Reporting Companies.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures.

With the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on 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 as of September 30, 2022.

Changes in Internal Control over Financial Reporting.

There were no significant changes during the period covered by this Quarterly Report on Form 10-Q in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1: Legal Proceedings.

There are no pending legal proceedings to which the Corporation or its subsidiaries are a party or to which any of their property is subject except routine legal proceedings to which the Corporation or its subsidiaries are a party incident to the banking business. None of such proceedings are considered by the Corporation to be material.

Item 1A: Risk Factors

There have been no material changes in the discussion pertaining to risk factors that was provided in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

The Corporation has not sold any of its securities which were not registered under the Securities Act during the period covered by this report. The table below includes certain information regarding the Corporation's purchase of United Bancshares, Inc. common stock during the quarterly period ended September 30, 2022:

Period	Total number of shares purchased	Weighted Average price paid per share	Total number of shares purchased as part of a publicly announced plan or program (a)	Maximum number of shares that may yet be purchased under the plan or program (a)
07/01/22 - 07/31/22	438(b)	$ 22.13	-	382,293
08/01/22 - 08/31/22	156(b)	$ 22.13	-	382,293
09/01/22 - 09/30/22	43,600	$ 19.98	43,600	338,693

(a) A stock repurchase program ("Plan") was adopted by the Corporation's Board of Directors and originally announced on July 29, 2005. The Plan, which was subsequently amended on December 23, 2005, March 20, 2007, December 17, 2013, and November 18, 2021, authorizes the Corporation to repurchase up to 800,000 of the Corporation's common shares from time to time in a program of market purchases or in privately negotiated transactions as the securities laws and market conditions permit.

(b) Includes shares repurchased by the Company in connection with the cashless exercise of stock option awards under the 2016 Stock Option Plan.

Item 3: Defaults upon Senior Securities.

None

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Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information.

None

Item 6: Exhibits

Exhibit Number	Description	Exhibit Location
3.1	Amended and Restated Articles of Incorporation	Incorporated herein by reference to the Corporation's Form 10Q for the quarter ended June 30, 2006.
3.2	Amended and Restated Code of Regulations	Incorporated herein by reference to the Corporation’s Form 10Q for the quarter ended June 30, 2007.
4	Description of Registrant's Common Stock	Incorporated herein by reference to the Corporation's Form 10K for the year ended December 31, 2019
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of CEO	Filed herewith
32.1	Section 1350 CEO’s Certification	Filed herewith
32.2	Section 1350 CEO’s Certification	Filed herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED BANCSHARES, INC.

Date: November 7, 2022

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

Exhibit 31.1

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

I, Brian D. Young, President and Chief Executive Officer of United Bancshares, Inc., certify, that:

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

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

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

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

/s/ Brian D. Young
Brian D. Young
Chief Executive Officer
November 7, 2022

Exhibit 31.2

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

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

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

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

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

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

/s/ Klint D. Manz
Klint D. Manz
Chief Financial Officer
November 7, 2022

Exhibit 32.1

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of United Bancshares, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 Company.

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

Date: November 7, 2022

*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

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of United Bancshares, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Klint D. Manz, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 Company.

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

Date: November 7, 2022

*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.