2023 ANNUAL REPORT

OTCQX: UBOH

800-837-8111

www.theubank.com

105 Progressive Drive
Columbus Grove, OH 45830

SHAREHOLDERS, CLIENTS, AND TEAM MEMBERS:

"In 2024, we believe that effectively implementing technology will promote growth and provide the opportunity to increase the effectiveness of our team members in serving our clients."

Despite the significant challenges to the banking industry throughout 2023, I am pleased to report that your Company had a successful year. In addition to reporting income before taxes of approximately $9.3 million and the return on average tangible equity of 15.82%, your Company continued to focus on serving our communities. As a result of these successes, the Board of Directors declared a $0.22 per share quarterly dividend payable on March 15th for shareholders of record on February 29th.

While earnings were negatively impacted by cost inflation, shrinking margins, severely limited residential mortgage activity, tightening of the labor force and economic uncertainties, the Company minimized the impact by reducing non-interest expenses by over $2.5 million, reduced outstanding shares by 242,756 over the last 18 months through repurchasing efforts, and restrained from making loans until rates reached profitable levels. Selectively growing the loan portfolio in the first half of 2023 has positioned the bank to have capital for share repurchases and to obtain more profitable loans at the end of 2023, thereby saving quality loan growth capacity for 2024, while many peers start the year with less liquidity.

As previously reported the rapid increase in interest rates has created significant fluctuations in our investment unrealized loss position, reaching a high of $65.6 million on October 31, 2023. It moderated by year end to finish at a $38.8 million unrealized loss position. While this fluctuation has no impact on regulatory capital, it has likely been a noticeable factor in the industry's, and our Company's, share price. Based on the Company's current liquidity position and strong quality metrics in our investment portfolio, it is very unlikely that those losses will be realized. As such, we remain focused on continuing to add value to our shareholders through core revenue growth, strong asset quality, and consistent dividends.

In 2024, we plan to make investments in technology to create internal efficiencies, reduce the risk of fraud, and enhance customer tools and resources. Such investments are expected to yield positive results in our cost structure and in customers' ease in the use of our technology-based products. We believe that effectively implementing technology will promote growth and provide the opportunity to increase the effectiveness of our team members in serving our clients.

While we expect the headwinds to continue to have a negative impact on our industry's earnings throughout 2024, we believe that continued focus on cost controls, new loan originations and upward repricing of existing loans through this cycle will offset some of that earnings pressure. The efforts of the team and our strong corporate values of respect for, and accountability to, our shareholders, clients, colleagues, and communities are the foundation for the continued success of your Company. Thank you for your ongoing support and the trust you have placed in us.

Respectfully,

Brian D. Young
President and CEO

UNITED BANCSHARES INC.

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UNITED BANCSHARES, INC.
DESCRIPTION OF THE CORPORATION

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

The Union Bank Company is an Ohio state-charted bank, which provides full-service banking to the people and businesses throughout the communities we serve through 18 offices across Northwest and Central Ohio, including Bowling Green, Columbus Grove, Delphos, Findlay, Gahanna, Gibsonburg, Kalida, Leipsic, Lewis Center, Lima, Marion, Ottawa, Paulding, Pemberville and Westerville. The Union Bank Company is headquartered in Columbus Grove, Ohio, and remains committed to providing the very best banking service and products to all the communities we serve.

United Bancshares, Inc. trades its common stock on the OTCQX Exchange under the symbol "UBOH."

AVAILABILITY OF MORE INFORMATION

Annual and quarterly shareholder reports, regulatory filings, press releases, and articles about United Bancshares, Inc. are available in the Investor Relations section of our website theubank.com, by calling 800-837-8111, or by writing to:

Denise Giesige, Secretary
United Bancshares, Inc.
105 Progressive Drive
Columbus Grove, Ohio 45830

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

	Years Ended December 31,				
	2023	2022	2021	2020	2019
	(Dollars in thousands)				
Statements of income:					
Total interest income	$ 47,201	$ 38,942	$ 38,804	$ 40,030	$ 37,819
Total interest expense	14,094	3,258	3,069	6,988	8,924
Net interest income	33,107	35,684	35,735	33,042	28,895
Provision (credit) for credit losses	(391)	(1,000)	300	6,200	550
Net interest income after provision (credit) for credit losses	33,498	36,684	35,435	26,842	28,345
Total non-interest income	7,375	9,954	17,346	27,000	15,048
Total non-interest expenses	31,584	34,114	36,706	37,165	31,117
Income before federal income taxes	9,289	12,524	16,075	16,677	12,276
Federal income taxes	683	1,214	2,494	2,922	1,615
Net income	$ 8,606	$ 11,310	$ 13,581	$ 13,755	$ 10,661
Per share of common stock:					
Net income - basic	$ 2.80	$ 3.47	$ 4.14	$ 4.21	$ 3.26
Dividends	0.88	0.84	0.73	0.51	0.52
Book value	$ 30.93	$ 26.23	$ 36.34	$ 34.11	$ 29.00
Average shares outstanding - basic	3,072,468	3,259,924	3,277,062	3,270,996	3,270,878
Average shares outstanding - diluted	3,075,780	3,264,632	3,338,151	3,306,503	3,277,198
Year end balances:					
Loans (1)	$ 708,828	$ 687,545	$ 618,705	$ 652,530	$ 591,725
Securities (2)	253,588	285,146	312,771	200,178	188,913
Total assets	1,071,498	1,087,293	1,076,556	978,532	880,014
Deposits	952,845	953,883	930,413	838,378	707,134
Shareholders' equity	93,924	82,691	119,095	111,599	94,781
Average balances:					
Loans (1)	694,345	637,326	632,829	663,097	582,377
Securities (2)	256,026	295,728	237,695	185,847	179,075
Total assets	1,082,650	1,072,002	1,046,350	967,828	861,693
Deposits	971,874	952,621	904,975	792,938	694,857
Shareholders' equity	83,312	92,471	114,981	101,631	86,652
Selected ratios:					
Net yield on average interest earning assets (3)	3.45%	3.74%	3.76%	3.77%	3.75%
Return on average assets	0.79%	1.06%	1.30%	1.42%	1.24%
Return on average shareholders' equity	10.33%	12.23%	11.81%	13.53%	12.30%
Net loan charge-offs (recoveries) as a percentage of average outstanding net loans	(0.01)%	(0.01)%	(0.01)%	0.05%	(0.01)%
Allowance for loan losses as a percentage of year end loans (4)	1.26%	1.38%	1.70%	1.58%	0.72%
Shareholders' equity as a percentage of total assets	8.77%	7.61%	11.06%	11.40%	10.77%

Notes:

(1) Includes loans held for sale

(2) Includes restricted bank stock

(3) Net yield on average interest-earning assets was computed on a tax equivalent basis

(4) Does not include loans held for sale

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Bancshares, Inc. and its Subsidiaries, The Union Bank Company, (the Company) which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Bancshares, Inc. and its Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

We have also audited in accordance with auditing standards generally accepted in the United States of America, United Bancshares, Inc. and its Subsidiaries' internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions) and the Board of Governors of the Federal Reserve System Instructions for Preparation of Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP instructions), as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 25, 2024, expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Bancshares, Inc. and its Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2023, United Bancshares, Inc. and its subsidiaries adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Bancshares, Inc. and its Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Bancshares, Inc. and its Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the president's letter, financial information, and nonfinancial information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

Maumee, Ohio
March 25, 2024

UNITED BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS

	Years Ended December 31, 2023	2022
	(in thousands, except share data)	
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 14,403	$ 20,756
Interest-bearing deposits in other banks	12,512	9,924
Total cash and cash equivalents	26,915	30,680
SECURITIES, available-for-sale	251,505	281,286
FEDERAL HOME LOAN BANK STOCK, at cost	2,083	3,860
LOANS HELD FOR SALE	2,163	3,970
LOANS AND LEASES	706,665	683,575
Less allowance for credit losses	8,876	9,401
Net loans and leases	697,789	674,174
PREMISES AND EQUIPMENT, net	24,308	24,147
GOODWILL	28,616	28,616
CORE DEPOSIT INTANGIBLE ASSETS, net	220	359
CASH SURRENDER VALUE OF LIFE INSURANCE	19,559	19,207
OTHER ASSETS, including accrued interest receivable	18,340	20,994
TOTAL ASSETS	$ 1,071,498	$ 1,087,293
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 179,200	$ 215,966
Interest-bearing	773,645	737,917
Total deposits	952,845	953,883
Federal funds purchasedand other borrowings	5,000	31,079
Junior subordinated deferrable interest debentures	13,043	13,009
Other liabilities	6,686	6,631
Total liabilities	977,574	1,004,602
SHAREHOLDERS' EQUITY		
Common stock, stated value $1.00, 10,000,000 shares authorized; 3,821,683 and 3,817,237 shares issued; 3,036,757 and 3,153,368 shares outstanding at December 31, 2023 and December 31, 2022, respectively	3,822	3,817
Surplus	17,319	17,045
Retained earnings	118,300	112,466
Accumulated other comprehensive income (loss)	(30,658)	(38,366)
Treasury stock, at cost, 784,927 shares at December 31, 2023 and 663,869 shares at December 31, 2022	(14,859)	(12,271)
Total shareholders' equity	93,924	82,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,071,498	$ 1,087,293

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

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except share data)		
INTEREST INCOME			
Loans and leases, including fees	$ 38,658	$ 31,201	$ 33,720
Securities:			
Taxable	3,120	3,137	1,977
Tax-exempt	3,356	3,710	2,856
Other	2,067	894	251
Total interest income	47,201	38,942	38,804
INTEREST EXPENSE			
Deposits	12,695	2,322	2,281
Borrowings	1,399	936	788
Total interest expense	14,094	3,258	3,069
Net interest income	33,107	35,684	35,735
PROVISION FOR CREDIT LOSSES	(391)	(1,000)	300
Net interest income after provision for credit losses	33,498	36,684	35,435
NON-INTEREST INCOME			
Service charges on deposit accounts	1,364	1,232	1,090
Gain on sale of loans	2,077	1,870	13,468
Net securities gains (losses)	(68)	(114)	(16)
Change in fair value of mortgage servicing rights	(1)	437	295
Increase in cash surrender value of life insurance and death benefits received	352	1,166	402
Other operating income	3,651	5,363	2,107
Total non-interest income	7,375	9,954	17,346
NON-INTEREST EXPENSES			
Salaries, wages and employee benefits	15,760	18,452	20,702
Occupancy expenses	4,522	4,436	4,485
Other operating expenses	11,302	11,226	11,519
Total non-interest expenses	31,584	34,114	36,706
Income before income taxes	9,289	12,524	16,075
PROVISION FOR INCOME TAXES	683	1,214	2,494
NET INCOME	$ 8,606	$ 11,310	$ 13,581
NET INCOME PER SHARE BASIC	$ 2.80	$ 3.47	$ 4.14
NET INCOME PER SHARE DILUTED	$ 2.80	$ 3.46	$ 4.07

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except share data)		
NET INCOME	$ 8,606	$ 11,310	$ 13,581
OTHER COMPREHENSIVE (LOSS) INCOME			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains during period	9,688	(53,733)	(4,272)
Reclassification adjustments for losses included in net income	68	114	16
Other comprehensive (loss) income, before income taxes	9,756	(53,619)	(4,256)
Income tax (benefit) expense related to items of other comprehensive (loss) income	2,048	(11,260)	(894)
Other comprehensive (loss) income	7,708	(42,359)	(3,362)
COMPREHENSIVE (LOSS) INCOME	$ 16,314	$ (31,049)	$ 10,219

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
			(in thousands)			
BALANCE AT DECEMBER 31, 2020	$ 3,761	$ 15,438	$ 92,716	$ 7,355	$ (7,671)	$ 111,599
Comprehensive income:						
Net income	-	-	13,581	-	-	13,581
Other comprehensive loss	-	-	-	(3,362)	-	(3,362)
Repurchase of 11,651 shares	-	-	-	-	(368)	(368)
Sale of 12,252 treasury shares	-	50	-	-	193	243
Stock Option Exercise, net of 33,324 shares repurchased and retired	33	634	-	-	(1,054)	(387)
Stock option expense	-	183	-			183
Cash dividends declared, $0.73 per share	-	-	(2,394)	-	-	(2,394)
BALANCE AT DECEMBER 31, 2021	3,794	16,305	103,903	3,993	(8,900)	119,095
Comprehensive income:						
Net income	-	-	11,310	-	-	11,310
Other comprehensive loss	-	-	-	(42,359)	-	(42,359)
Repurchase of 130,553 shares	-	-	-	-	(2,876)	(2,876)
Sale of 9,185 treasury shares	-	68	-	-	175	243
Stock Option Exercise, net of 21,205 shares repurchased and retired	23	450	-	-	(670)	(197)
Stock option expense	-	222	-	-	-	222
Cash dividends declared, $0.84 per share	-	-	(2,747)	-	-	(2,747)
BALANCE AT DECEMBER 31, 2022	3,817	17,045	112,466	(38,366)	(12,271)	82,691
Comprehensive income:						
Net income	-	-	8,606	-	-	8,606
Other comprehensive income	-	-	-	7,708	-	7,708
Repurchase of 132,493 shares	-	-	-	-	(2,801)	(2,801)
Sale of 15,577 treasury shares	-	8	-	-	293	301
Stock Option Exercise, net of 4,141 shares repurchased and retired	5	69	-	-	(80)	(6)
Stock option expense	-	197	-			197
Cash dividends declared, $0.88 per share	-	-	(2,772)	-	-	(2,772)
BALANCE AT DECEMBER 31, 2023	$ 3,822	$ 17,319	$ 118,300	$ (30,658)	$ (14,859)	$ 93,924

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

UNITED BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2023	2022	2021
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 8,606	$ 11,310	$ 13,581
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,827	1,612	1,543
Purchase accounting loan discount accretion	(165)	(191)	(533)
Deferred income taxes	(144)	1,341	1,380
Provision for loan losses	(590)	(1,000)	300
Gain on sale of loans	(2,078)	(1,870)	(13,468)
Net securities losses	68	114	16
Change in fair value of mortgage servicing rights	1	(437)	(295)
Increase in cash surrender value of life insurance and death benefits received	(352)	(1,166)	(402)
Net amortization of security premiums and discounts	712	905	832
Stock option expense	197	222	183
Deferred compensation expense	25	227	200
Loss on sale or write-down of premises and equipment	22	21	255
Proceeds from sale of loans held for sale	88,410	202,840	452,533
Originations of loans held for sale	(84,597)	(196,051)	(430,412)
Increase (decrease) in other assets	619	(956)	1,558
Increase (decrease) in other liabilities	272	(143)	(833)
Net cash provided by operating activities	12,833	16,778	26,438
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of available-for-sale securities	24,175	-	-
Proceeds from maturities of available-for-sale securities, including paydowns on mortgage-backed securities	15,391	23,293	34,378
Purchases of available-for-sale securities	(809)	(51,575)	(152,544)
Purchases of FHLB stock	(257)	-	-
Proceeds from redemption of FHLB stock	2,034	1,269	469
Net (increase) decrease in loans and leases	(22,860)	(73,779)	25,138
Bank owned life insurance premium	-	1,342	-
Purchases of premises and equipment	(1,636)	(3,578)	(3,958)
Net cash provided by / (used in) investing activities	16,038	(103,028)	(96,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	(1,038)	23,473	92,061
Other borrowings:			
Net increase (decrease) in fed funds purchased	(31)	19	12
Net proceeds from short-term advances	(25,048)	25,048	7,000
Principal payments on other borrowings	(1,000)	(1,000)	(7,750)
Purchase of treasury shares	(2,801)	(2,876)	(368)
Proceeds from sale of treasury shares	301	243	243
Payments of deferred compensation	(241)	(235)	(170)
Cash paid for net shares repurchased from stock option exercise	(6)	(197)	(387)
Cash dividends paid	(2,772)	(2,747)	(2,394)
Net cash provided by / (used in) financing activities	(32,636)	41,728	88,247

Continued

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,		
	2023	2022	2021
		(in thousands)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,765)	(44,522)	18,168
CASH AND CASH EQUIVALENTS			
At beginning of year	30,680	75,202	57,034
At end of year	$ 26,915	$ 30,680	$ 75,202
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Cash paid during the year for:			
Interest	$ 13,798	$ 3,171	$ 3,165
Federal income taxes	$ 550	$ -	$ 2,370
Non-cash operating activity:			
Change in deferred income taxes on net unrealized gain or loss on available-for-sale securities	$ (2,048)	$ 11,260	$ 894
Non-cash investing activities:			
Change in net unrealized gain or loss on available-for-sale securities	$ 9,756	$ (53,619)	$ (4,256)

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

UNITED BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Significant accounting policies followed by the Corporation are presented below.

Use of Estimates in Preparing Financial Statements

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities and Federal Home Loan Bank Stock

The Corporation has designated all securities as available-for-sale. Such securities are recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as accumulated other comprehensive (loss) income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. For debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Under ASC 326, for available for sale debt securities, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized costs basis is written down to fair value through income. If these criteria are not met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized costs, any changes in the underlying credit rating of the security, and adverse conditions specifically related to the security, among other factors. If it is determined that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, which is limited by the amount that the fair value is less than the amortized costs basis. Any impairment that has not been recorded through an allowance for credit losses is recognized as a component of other comprehensive income. Changes in the allowance for credit losses are recorded as a provision for credit loss.

Prior to the adoption of ASC 326, the Corporation used an other than temporary impairment model.

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

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the estimated fair value in the aggregate. Estimated fair value is determined based on quoted market prices in the secondary market. Any net unrealized losses are recognized through a valuation allowance by charges to income. The Corporation had no unrealized losses at December 31, 2023 and 2022.

Loans

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

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

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. Interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance to Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities.

The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity of payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, adjustments, and deferred loan fees and costs. Accrued interest receivable was reported in other assets and is excluded from the estimate of credit losses.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, nature or volume of the Company's financial assets, changes in experience in staff, as well as changes in environmental conditions, such as changes in unemployment rates, property values and other external factors, such as regulatory, legal and technological environments.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation. A loan is individually analyzed when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered individually analyzed, an analysis of the net present value of estimated cash flows is performed and an allowance may be established based on the outcome of that analysis, or if the loan is deemed to be collateral dependent an allowance is established based on the fair value of collateral.

The Company is utilizing the discounted cash flow ("DCF") methodology to analyze all loan pools. DCF models are forward-focused cash flow models compatible with the Company's limited loss history. The Company estimates losses over an approximate one-year forecast period using the Federal Reserve baseline economic forecasts, and then reverts to longer term historical loss experience over a three-year period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The DCF model has two key components, the loss driver analysis combined with a cash flow analysis. The contractual cash flow is adjusted for loss driver and prepayment speed to establish a reserve level. The loss driver analysis is updated annually by a third party for each applicable pool. The prepayment studies are updated quarterly by a third-party for each applicable pool. The loss driver and prepayment rates are computed using benchmark data due to the Company having insufficient loss history and lack of specific data or observable prepayment experience.

Prior to the adoption of ASC 326, the Company used an incurred loss model to measure an allowance for loan losses.

Acquired Loans

Purchased loans acquired in a business combination are reviewed to determine whether there is evidence of more than insignificant deterioration of credit quality since origination. The Company determines whether each such loan is to be accounted for individually or whether such loans will be assembled into pools of loans based on common risk characteristics (loan type and date of origination).

PCD loans acquired in a transaction are marked to fair value and a mark on yield is recorded. In addition, an adjustment is made to the ACL for the expected loss on the acquisition date. These loans are assessed on a regular basis and subsequent adjustments to the ACL are recorded on the income statement.

Other Real Estate Owned

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

Loan Sales and Servicing

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

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

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

Off-Balance Sheet Credit Related Financial Instruments

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

Changes in the allowance for off-balance sheet commitments is included in the provision for credit losses on the consolidated statements of income.

Goodwill and Core Deposit Intangible Assets

Goodwill arising from acquisitions is not amortized but is subject to an annual impairment test to determine if an impairment loss has occurred. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions, and selecting an appropriate control premium. As of December 31, 2023, the Corporation believes the Bank does not have any indicators of potential impairment based on the estimated fair value of its reporting unit.

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

Supplemental Retirement Benefits

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

Advertising Costs

All advertising costs are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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

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

Transfers of Financial Assets

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

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

Comprehensive (Loss) Income

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

Per Share Data

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The weighted average number of shares used for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Basic	3,072,468	3,259,924	3,277,062
Diluted	3,075,780	3,264,632	3,338,151

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

Derivative Financial Instruments

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

The Corporation started hedging in May of 2018 and takes into account various factors and strategies in determining the portion of the IRLCs and mortgage loans held for sale to be economically hedged. FASB ASC 815-25, Derivatives and Hedging, requires that all derivative instruments be recognized as assets or liabilities on the balance sheets at their estimated fair value. Changes in the fair value of the derivative instruments are recognized in gain on sale of loans in the statements of operations in the period in which they occur. The Corporation accounts for all derivative instruments as free-standing derivative instruments and does not designate any for hedge accounting. The Corporation recognized a net gain from hedging activity of $120,000 for the year ended December 31, 2023, and $1,814,000 for the year ended December 31, 2022, and a net loss from hedging activity of $1,325,000 for the year ended December 31, 2021, which are included in gain on sale of loans in the consolidated statements of income. A net hedging asset of $139,000 as of December 31, 2023, and $305,000 as of December 31, 2022, was included in other assets in the consolidated balance sheets.

Fair Values of Financial Instruments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were issued. Events or transactions occurring after December 31, 2023, but prior to when the consolidated financial statements were issued, that provided additional evidence about conditions that existed at December 31, 2023, have been recognized in the financial statements for the year ended December 31, 2023. Events or transactions that provided evidence about conditions that did not exist at December 31, 2023 but arose before the financial statements were issued, have not been recognized in the consolidated financial statements for the year ended December 31, 2023.

On January 18, 2024, United Bancshares, Inc. issued a release announcing that its Board of Directors approved a cash dividend of $0.22 per common share payable March 15, 2024, to shareholders of record at the close of business on February 29, 2024.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

In March 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-02, Financial Instruments Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in Update 2016-13 require that an entity measure and record the lifetime expected credit losses on an asset that is within the scope of the Update upon origination or acquisition, and, as a result, credit losses from loans modified as troubled debt restructurings (TDRs) have been incorporated into the allowance for credit losses. Investors and preparers observed that the additional designation of a loan modification as a TDR and the related accounting are unnecessarily complex and no longer provide decision-useful information. The amendment in this Update also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. The Corporation implemented this update in January 2023.

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

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

In June 2016, the 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 are now using forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied under the previous standard are still permitted, although the inputs to those techniques have changed to reflect the full amount of expected credit losses. Organizations are still able to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies, this update was to be effective for interim and annual periods beginning after December 15, 2019. On July 17, 2019, the FASB voted to issue a proposal for public comment that would potentially result in a postponement of the required implementation date for ASU 2016-13. On October 16, 2019, the FASB extended the implementation deadline until the fiscal year and interim periods beginning after December 15, 2022.

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

NOTE 3 – SECURITIES

The amortized cost, unrealized gains and losses on securities, and fair value of securities as of December 31, 2023 and 2022 are as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
2023		(in thousands)		
Available-for-sale:				
Obligations of states and political subdivisions	$ 137,727	$ 242	$ 18,632	$ 119,337
Mortgage-backed	144,285	2	20,074	124,213
U.S. Government agencies	4,920	-	346	4,574
Other	3,381	-	-	3,381
Total	$ 290,313	$ 244	$ 39,052	$ 251,505
2022				
Available-for-sale:				
Obligations of states and political subdivisions	$ 161,128	$ 157	$ 24,956	$ 136,329
Mortgage-backed	161,162	1	23,371	137,792
U.S. Government agencies	5,000	-	395	4,605
Other	2,560	-	-	2,560
Total	$ 329,850	$ 158	$ 48,722	$ 281,286

The amortized cost and fair value of securities at December 31, 2023, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair value
	(in thousands)	
Due in one year or less	$ -	$ -
Due after one year through five years	5,670	5,298
Due after five years through ten years	14,810	14,063
Due after ten years	266,452	228,763
Other securities having no maturity date	3,381	3,381
Total	$ 290,313	$ 251,505

Securities with a carrying value of $24.2 million at December 31, 2023 and $42.9 million at December 31, 2022 were pledged to secure public deposits and for other purposes as required or permitted by law.

NOTE 3 - SECURITIES (CONTINUED)

The following table presents gross unrealized losses and fair value of debt securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
2023	(in thousands)					
Obligations of states and political subdivisions	$ 47	$ 2,043	$ 18,585	$ 104,208	$ 18,632	$ 106,251
Mortgage-backed	-	-	20,074	124,109	20,074	$ 124,109
U.S. Government agencies	70	2,350	276	2,223	346	$ 4,573
Other	-	-	-	-	-	$ -
Total temporarily impaired securities	$ 117	$ 4,393	$ 38,935	$ 230,540	$ 39,052	$ 234,933
2022						
Obligations of states and political subdivisions	$ 14,051	$ 95,233	$ 10,905	$ 28,058	$ 24,956	$ 123,291
Mortgage-backed	6,580	59,163	16,791	78,523	23,371	$ 137,686
U.S. Government agencies	65	2,435	330	2,170	395	$ 4,605
Other	-	-	-	-	-	$ -
Total temporarily impaired securities	$ 20,696	$ 156,831	$ 28,026	$ 108,751	$ 48,722	$ 265,582

There were 327 securities in an unrealized loss position at December 31, 2023, 323 of which were in a continuous unrealized loss position for 12 months or more. There were 386 securities in an unrealized loss position at December 31, 2022, 113 of which were in a continuous unrealized loss position for 12 months or more. Management has considered industry analyst reports, whether downgrades by bond rating agencies have occurred, sector credit reports, issuer's financial condition and prospects, the Corporation's ability and intent to hold securities to maturity, and volatility in the bond market. This analysis concluded that the unrealized losses as of December 31, 2023 were primarily the result of fluctuations in the bond market related primarily to changes in market interest rates, therefore, in accordance with ACS 326, management has determined that there is no allowance for credit loss needed as of December 31, 2023 related to its available for sale securities portfolio.

Gross realized losses from sale of securities, including securities calls, amounted to $224,000 in 2023 with a related income tax effect of $47,000, $114,000 in 2022 with related income tax effect of $24,000, and $16,000 in 2021, with a related income tax effect of $3,000. There was $156,000 of gross realized gains from the sale of securities in 2023, with a related income tax effect of $33,000. There were no gross realized gains from sale of securities in 2022 or 2021.

NOTE 4 – LOANS

Loans receivable at December 31, 2023 and 2022 consist of the following:

	2023	2022
	(in thousands)	
Residential 1-4 family real estate	$ 147,841	$ 129,383
Commercial and multi-family real estate	486,022	470,768
Commercial	68,227	77,930
Consumer	4,575	5,494
Total loans and leases	$ 706,665	$ 683,575

Loan segments have been identified by evaluating the portfolio based on collateral and credit risk characteristics.

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023, and 2022, accrued interest receivable for loans totaled $2,722,000 and $2,026,000, respectively, and is included in accrued interest receivable on the consolidated balance sheets.

Fixed rate loans approximated $185.2 million at December 31, 2023 and $192.2 million at December 31, 2022.

Most of the Corporation's lending activities are with customers located in Northwestern and Central Ohio. The Corporation has identified lending for income-generating rental properties as an industry concentration. Total loans for income-generating rental property totaled $353.1 million at December 31, 2023 representing 50.0% of total loans.

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

NOTE 4 - LOANS (CONTINUED)

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

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

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

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

The allowance for credit losses for loans considered to be collateral dependent as of December 31, 2023, is as follows:

	2023	
	Recorded investment	Allowance for loan and lease losses allocated
	(in thousands)	
With no related allowance recorded:		
Residential 1-4 family real estate	$ 35	$ -
Commercial and multi-family real estate	-	-
Agricultural real estate	-	-
Commercial	-	-
Agriculture	-	-
Consumer	-	-
Total	$ 35	$ -

NOTE 4 - LOANS (CONTINUED)

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

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

The following table presents the recorded investment in nonaccrual loans, loans past due over 90 days still on accrual and troubled debt restructurings by class of loans as of December 31, 2023 and 2022:

	2023			2022		
	Non-accrual	Loans and leases past due over 90 days still accruing	Accruing Loan Modifications	Non-accrual	Loans and leases past due over 90 days still accruing	Accruing Troubled Debt Restructurings
	(in thousands)					
Residential 1-4 family real estate	$ 536	$ 56	$ -	$ 156	$ 58	$ 122
Commercial and multi-family real estate	64	-	-	353	-	7
Agricultural real estate	-	-	-	-	-	-
Commercial	-	-	-	467	-	632
Agriculture	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	$ 600	$ 56	$ -	$ 976	$ 58	$ 761

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

Interest income foregone on nonaccrual loans was approximately $15,000 and $45,000 for the years ended December 31, 2023 and 2022, respectively.

The amortized costs basis for loans on nonaccrual status for which there is no related allowance for credit losses was $38,000 and $873,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 - LOANS (CONTINUED)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2023 and 2022 by class of loans:

	30 – 59 days past due	60 – 89 days past due	Greater than 90 days past due	Total past due	Loans and leases not past due	Total
			(in thousands)			
2023						
Residential 1-4 family real estate	$ 846	$ 196	$ 507	$ 1,549	$ 146,292	$ 147,841
Commercial and multi-family real estate	143	45	-	188	431,277	431,465
Agricultural real estate	-	-	-	-	54,557	54,557
Commercial	120	15	-	135	59,733	59,868
Agriculture	-	-	-	-	8,359	8,359
Consumer	-	-	-	-	4,575	4,575
Total	$ 1,109	$ 256	$ 507	$ 1,872	$ 704,793	$ 706,665

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

Credit Quality Indicators:

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

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

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

NOTE 4 - LOANS (CONTINUED)

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

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

The following table provides a summary of the loan portfolio risk grades, as applicable, based on the most recent analysis performed, as of December 31, 2023 and 2022.

	Pass	Special Mention	Substandard	Doubtful	Non rated	Total
			(in thousands)			
2023						
Residential 1-4 family real estate	$ 2,162	$ -	$ -	$ -	$ 145,679	$ 147,841
Commercial and multi-family real estate	477,031	2,086	5,490	-	1,415	486,022
Commercial	67,301	273	486	-	167	68,227
Consumer	-	-	-	-	4,575	4,575
Total	$ 546,494	$ 2,359	$ 5,976	$ -	$ 151,836	$ 706,665
2023						
Residential 1-4 family real estate	$ 2,306	$ -	$ -	$ -	$ 127,077	$ 129,383
Commercial and multi-family real estate	465,361	646	4,717	-	44	470,768
Commercial	73,604	528	3,505	-	293	77,930
Consumer	-	-	-	-	5,494	5,494
Total	$ 541,271	$ 1,174	$ 8,222	$ -	$ 132,908	$ 683,575

The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan and lease losses. For all loan classes that are not rated, the Corporation also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. Generally, all loans not rated that are 90 days past due or are classified as nonaccrual and collectively evaluated for impairment, are considered nonperforming. The following table presents the recorded investment in all loans that are not risk rated, based on payment activity as of December 31, 2023 and 2022:

	Residential 1-4 family	Commercial and multi-family real estate	Commercial	Consumer	Total
			(in thousands)		
2023					
Performing	$ 145,171	$ 1,415	$ 167	$ 4,575	$ 151,328
Nonperforming	508	-	-	-	508
Total	$ 145,679	$ 1,415	$ 167	$ 4,575	$ 151,836
2022					
Performing	$ 126,985	$ 44	$ 293	$ 5,494	$ 132,816
Nonperforming	92	-	-	-	92
Total	$ 127,077	$ 44	$ 293	$ 5,494	$ 132,908

NOTE 4 - LOANS (CONTINUED)

Modifications:

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

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

There were no loan modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2023.

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

NOTE 4 - LOANS (CONTINUED)

The table below presents the amortized cost basis of loans by vintage, credit quality indicator and class of loans as of December 31, 2023 (in thousands):

	Terms of Loans by origination For years ended December 31,							
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Real Estate				(in thousands)				
Residential 1-4 family:								
Risk Rating								
Not Rated/Pass	$ 20,341	$ 22,150	$ 18,116	$ 8,669	$ 566	$ 16,056	$ 61,943	$ 147,841
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	$ 20,341	$ 22,150	$ 18,116	$ 8,669	$ 566	$ 16,056	$ 61,943	$ 147,841
Gross Charge-offs	-	-	-	-	-	-	-	-
Commercial and multi-family real estate:								
Risk Rating								
Not Rated/Pass	$ 48,814	$ 120,698	$ 103,922	$ 76,296	$ 30,159	$ 98,557	$ -	$ 478,446
Special Mention	-	-	1,403	550	-	-	133	2,086
Substandard	728	600	186	143	-	3,833	-	5,490
Doubtful	-	-	-	-	-	-	-	-
Total	$ 49,542	$ 121,298	$ 105,511	$ 76,989	$ 30,159	$ 102,390	$ 133	$ 486,022
Gross Charge-offs	-	-	-	-	-	-	-	-
Commercial:								
Risk Rating								
Not Rated/Pass	$ 14,297	$ 17,708	$ 6,887	$ 3,704	$ 1,888	$ 1,128	$ 21,856	$ 67,468
Special Mention	-	120	81	-	72	-	-	273
Substandard	-	121	77	22	150	23	93	486
Doubtful	-	-	-	-	-	-	-	-
Total	$ 14,297	$ 17,949	$ 7,045	$ 3,726	$ 2,110	$ 1,151	$ 21,949	$ 68,227
Gross Charge-offs	-	-	-	-	-	-	-	-
Consumer:								
Risk Rating								
Not Rated/Pass	$ 1,564	$ 1,485	$ 764	$ 393	$ 189	$ 112	$ 68	$ 4,575
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	$ 1,564	$ 1,485	$ 764	$ 393	$ 189	$ 112	$ 68	$ 4,575
Gross Charge-offs	-	3	-	-	-	-	-	3

NOTE 4 - LOANS (CONTINUED)

Allowance for Credit Losses (“ACL”)

The Company has adopted ASU 2016-13 (Topic 326 – Credit Losses) to calculate the ACL, which requires a projection of credit loss over the contract lifetime of the credit adjusted for prepayment tendencies. This valuation account is deducted from the loans amortized cost basis to present the net amount expected to be collected on the loan. The ACL is adjusted through the provision for credit losses and reduced by net charge offs to loans.

The credit loss estimation process involves procedures that consider the unique characteristics of the Company’s portfolio segments. These segments are further disaggregated into the loan pools for monitoring. When computing allowance levels, a model of risk characteristics, such as loss history and delinquency status, along with current conditions and a supportable forecast is used to determine credit loss assumptions.

The Company is utilizing the discounted cash flow (“DCF”) methodology to analyze all loan pools. DCF models are forward-focused cash flow models compatible with the Company’s limited loss history. The Company estimates losses over an approximate one-year forecast period using the Federal Reserve baseline economic forecasts, and then reverts to longer term historical loss experience over a three-year period.

The DCF model has two key components, the loss driver analysis combined with a cash flow analysis. The contractual cash flow is adjusted for loss driver and prepayment speed to establish a reserve level. The loss driver analysis are updated annually by a third party for each applicable pool. The prepayment studies are updated quarterly by a third-party for each applicable pool. The loss driver and prepayment rates are computed using benchmark data due to the Company having insufficient loss history and lack of specific data or observable prepayment experience.

Portfolio Segments	Loan Pool	Methodology	Loss Drivers
Residential 1-4 family	1-4 Family nonowner occupied	DCF	National unemployment and Real Gross Domestic Product
	Home Equity loans and lines of credit	DCF	National unemployment and Real Gross Domestic Product
Commercial and multi-family real estate	Commercial real estate nonowner occupied	DCF	National unemployment and Real Gross Domestic Product
	Commercial real estate owner occupied	DCF	National unemployment and Real Gross Domestic Product
	Other commercial real estate	DCF	National unemployment and Real Gross Domestic Product
	Construction and Development	DCF	National unemployment and Real Gross Domestic Product
	Agriculture Land	DCF	National unemployment and Real Gross Domestic Product
Commercial	Commercial working capital and term loans	DCF	National unemployment and Real Gross Domestic Product
	Agriculture production	DCF	National unemployment and Real Gross Domestic Product
Consumer	Consumer direct	DCF	National unemployment and Real Gross Domestic Product
	Overdraft credit lines	DCF	National unemployment and Real Gross Domestic Product

NOTE 4 - LOANS (CONTINUED)

According to the accounting standard an entity may make an accounting policy election not to measure an allowance for credit losses for accrued interest receivable if the entity writes off the applicable accrued interest receivable balance in a timely manner. The Company has made the accounting policy election not to measure an allowance for credit losses for accrued interest receivables for all loan segments. Current policy dictates that a loan will be placed on nonaccrual status, with the current accrued interest receivable balance being written off, upon the loan being 90 days delinquent or when the loan is deemed to be collateral dependent.

In addition, ASC Topic 326 requires the Company to establish a liability for anticipated credit losses for unfunded commitments. To accomplish this, the company must first establish a loss expectation for extended (funded) commitments. This loss expectation, expressed as a ratio to the amortized cost basis, is then applied to the portion of unfunded commitments not considered unilaterally cancelable, and considered by the company's management as likely to fund over the life of the instrument. At December 31, 2023, the Company had $192.6 million in unfunded commitments and set aside $766,000 in anticipated credit losses. This reserve is recorded in other liabilities as opposed to the ACL.

The determination of ACL is complex, and the Company makes decisions on the effects of factors that are inherently uncertain. Evaluations of the loan portfolio and individual credits require certain estimates, assumptions and judgments as to the facts and circumstances related to particular situations or credits. There may be significant changes in the ACL in future periods determined by prevailing factors at that point in time along with future forecasts.

The following tables disclose the annual activity in the allowance for credit losses for the periods indicated by portfolio segment (in thousands). The Company adopted CECL as of January 1, 2023. The prior years' amounts presented are calculated under the prior accounting standard.

	Residential 1-4 family real estate	Commercial and multi-family real estate	Commercial	Consumer	Total
			(in thousands)		
Balance at December 31, 2022	$ 1,623	$ 6,566	$ 1,134	$ 78	$ 9,401
Effect of implementing ASC 326	(256)	620	(357)	(7)	-
Provision for loan and lease losses	229	(838)	43	(24)	(590)
Losses charged off	-	-	-	(3)	(3)
Recoveries	24	39	-	5	68
Balance at December 31, 2023	$ 1,620	$ 6,387	$ 820	$ 49	$ 8,876
Balance at December 31, 2021	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355
Provision for loan and lease losses	(137)	(558)	(280)	(25)	(1,000)
Losses charged off	-	-	-	(1)	(1)
Recoveries	41	3	-	3	47
Balance at December 31, 2022	$ 1,623	$ 6,566	$ 1,134	$ 78	$ 9,401
Balance at December 31, 2020	$ 1,683	$ 6,664	$ 1,515	$ 132	$ 9,994
Provision for loan and lease losses	1	426	(102)	(25)	300
Losses charged off	-	(1)	-	(10)	(11)
Recoveries	35	32	1	4	72
Balance at December 31, 2021	$ 1,719	$ 7,121	$ 1,414	$ 101	$ 10,355

NOTE 4 - LOANS (CONTINUED)

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

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

The provision for credit losses is determined by the Company as the amount to be added to the allowance for credit losses for various types of financial instruments including loans, investment securities, and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The components of the provision for credit losses included in the consolidated statements of income for the years ended December 31 are as follows:

	2023	2022	2021
		(in thousands)	
Loan	$ (590)	$ (1,000)	$ 300
Unfunded commitment	199	-	-
Investment securities	-	-	-
Total Provisions for Credit Loss	$ (391)	$ (1,000)	$ 300

NOTE 4 - LOANS (CONTINUED)

The following is additional information with respect to loans acquired in the Benchmark and OSB transactions as of December 31, 2023 and 2022:

	Benchmark Bank		
	Contractual Principal Received	Accretable Difference	Carrying Amount
		(in thousands)	
2023			
Purchased Performing Loans and Leases			
Balance at December 31, 2022	$ 17,246	$ (218)	$ 17,028
Change due to payments received	(4,575)	55	(4,520)
Balance at December 31, 2023	$ 12,671	$ (163)	$ 12,508
2022			
Purchased Performing Loans and Leases			
Balance at December 31, 2021	$ 22,233	$ (328)	$ 21,905
Change due to payments received	(4,987)	110	(4,877)
Balance at December 31, 2022	$ 17,246	$ (218)	$ 17,028
Purchased Impaired Loans and Leases			
Balance at December 31, 2021	$ 260	$ (138)	$ 122
Change due to payments received	(80)	10	(70)
Balance at December 31, 2022	$ 180	$ (128)	$ 52

	The Ohio State Bank		
	Contractual Principal Received	Accretable Difference	Carrying Amount
		(in thousands)	
2023			
Purchased Performing Loans and Leases			
Balance at December 31, 2022	$ 5,248	$ (120)	$ 5,128
Change due to payments received	(1,309)	47	(1,262)
Balance at December 31, 2023	$ 3,939	$ (73)	$ 3,866
2022			
Purchased Performing Loans and Leases			
Balance at December 31, 2021	$ 7,024	$ (190)	$ 6,834
Change due to payments received	(1,776)	70	(1,706)
Balance at December 31, 2022	$ 5,248	$ (120)	$ 5,128
Purchased Impaired Loans and Leases			
Balance at December 31, 2021	$ 59	$ (9)	$ 50
Change due to payments received	18	4	22
Balance at December 31, 2022	$ 77	$ (5)	$ 72

NOTE 4 - LOANS (CONTINUED)

As a result of the acquisitions, the Corporation has loans, for which there was at acquisition, evidence of deterioration of credit quality since origination and for which it was probable at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans was $49,000 as of December 31, 2023 and $52,000 as of December 31, 2022 related to the Benchmark acquisition and $67,000 at December 31, 2023 and $72,000 at December 31, 2022 for the OSB acquisition.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Corporation. Such loans are made in the ordinary course of business in accordance with the normal lending policies of the Corporation, including the interest rate charged and collateralization. Such loans amounted to $986,000 and $1,330,000 at December 31, 2023 and 2022 respectively. The following is a summary of activity during 2023, 2022 and 2021 for such loans:

	2023	2022	2021
		(in thousands)	
Beginning of year	$ 1,330	$ 1,105	$ 965
Additions	90	319	4
Effect of change in composition of related parties	-	27	331
Repayments	(434)	(121)	(195)
End of year	$ 986	$ 1,330	$ 1,105

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

NOTE 5 - PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2023 and 2022:

	2023	2022
	(in thousands)	
Land and improvements	$ 4,099	$ 4,081
Buildings	24,127	24,108
Equipment	8,415	7,198
	36,641	35,387
Less accumulated depreciation	12,333	11,240
Premises and equipment, net	$ 24,308	$ 24,147

Depreciation expense amounted to $1,453,000 in 2023, $1,250,000 in 2022 and $1,204,000 in 2021.

NOTE 6 – SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others amounted to $262,757,000 and $263,593,000 at December 31, 2023 and 2022, respectively.

NOTE 6 – SERVICING (CONTINUED)

Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheets. The Corporation has elected to record its mortgage servicing rights using the fair value measurement method. Significant assumptions used in determining the fair value of servicing rights as of December 31, 2023 and 2022 include:

Prepayment assumptions:	Based on the PSA Standard Prepayment Model
Internal rate of return:	9% to 11%
Servicing costs:	$75 - $90 per loan, annually, increased at the rate of $1 per 1% delinquency based on loan count
Inflation rate of servicing costs:	3%
Earnings rate:	1.50%

Following is a summary of mortgage servicing rights activity for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
		(in thousands)	
Fair value at beginning of year	$ 2,371	$ 1,868	$ 1,132
Capitalized servicing rights - new loan sales	72	258	628
Disposals (amortization based on loan payments and payoffs	(201)	(192)	(187)
Change in fair value	(1)	437	295
Fair value at end of year	$ 2,241	$ 2,371	$ 1,868

The changes in fair value of servicing rights for the years ended December 31, 2023, 2022 and 2021 resulted from changes in external market conditions, including prepayment assumptions, which is a key valuation input used in determining the fair value of servicing. The prepayment assumption factor used in determining the fair value of servicing at December 31, 2023 was 112 compared to 114 at December 31, 2022 and 180 at December 31, 2021. The earnings rate used in determining the fair value of servicing was 0.25% in 2023, 2022 and 2021.

NOTE 7 – DEPOSITS

Time deposits at December 31, 2023 and 2022 include individual deposits greater than $250,000 of $45,223,000 and $18,258,000, respectively. Interest expense on time deposits greater than $250,000 amounted to $1,376,000 for 2023, $60,000 for 2022, and $134,000 for 2021.

Scheduled maturities of certificates of deposit at December 31, 2023, are as follows (in thousands):

2024	$ 213,638
2025	9,347
2026	1,134
2027	919
2028	90
Thereafter	17
Total	$ 225,145

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are depositors of the Corporation. Such deposits amounted to $4,165,000 and $4,298,000 at December 31, 2023 and 2022, respectively.

NOTE 8 - FEDERAL FUNDS PURCHASED AND OTHER BORROWINGS

Other borrowings consist of the following at December 31, 2023 and December 31, 2022:

	2023	2022
	(in thousands)	
Federal Home Loan Bank		
Short-term CMA variable rate advances, interest rate of 4.42% payable monthly, principal due at maturity ranging from March 17, 2023 through March 30, 2023	$ -	$ 23,548
United Bankers Bank		
Federal funds purhcased	-	31
Revolving Line of Credit with interest at 7.25% payable quarterly, principal due at maturity September 1, 2023. All Union Bank stock is held as collateral	-	1,500
Note payable, with interest at 4.00% payable quarterly, and $250,000 principal payments, with any remaining unpaid principal, due December 1, 2028. All Union Bank stock is held as collateral	5,000	6,000
Total other borrowings	$ 5,000	$ 31,079

At December 31, 2023, the Corporation had $310.1 million of borrowing availability under various line-of-credit agreements with the Federal Home Loan Bank and other financial institutions.

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

NOTE 9 - JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

The Corporation has formed and invested $300,000 in a business trust, United (OH) Statutory Trust (United Trust) which is not consolidated by the Corporation. United Trust issued $10,000,000 of trust preferred securities, which are guaranteed by the Corporation, and are subject to mandatory redemption upon payment of the debentures. United Trust used the proceeds from the issuance of the trust preferred securities, as well as the Corporation's capital investment, to purchase $10,300,000 of junior subordinated deferrable interest debentures issued by the Corporation. The debentures have a stated maturity date of March 26, 2033. As of March 26, 2008, and quarterly thereafter, the debentures may be shortened at the Corporation's option. Interest is at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month CME Term SOFR plus spread adjustment amounting to 8.77% at December 31, 2023, with interest payable quarterly. Interest at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month LIBOR amounting to 7.87% at December 31, 2022, 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 from the OSB acquisition with $3,000,000 of the liability guaranteed by the Corporation, and the remaining $93,000 secured by an investment in the trust preferred securities. The trust preferred securities have a carrying value of $2,743,000 at December 31, 2023 and $2,709,000 at December 31, 2022. 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 CME Term SOFR plus spread adjustment amounting to 8.52% at December 31, 2023, with interest payable quarterly. Interest at a floating rate adjustable quarterly and equal to 285 basis points over the 3-month LIBOR amounting to 7.17% at December 31, 2022, and 2.97% at December 31, 2021.

NOTE 9 - JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES (CONTINUED)

Interest expense on the debentures amounted to $1,102,000 in 2023, $649,000 in 2022, and $429,000 in 2021, and is included in interest expense-borrowings in the accompanying consolidated statements of income.

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

NOTE 10 - OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the years ended December 31, 2023, 2022 & 2021:

	2023	2022	2021
		(in thousands)	
Data processing	$ 2,192	$ 1,931	$ 2,196
Professional fees	1,554	1,346	1,031
Information Technology	724	304	302
Ohio Financial Institution tax	620	861	816
Advertising	973	1,750	2,284
ATM processing and other fees	1,066	930	840
Amortization of core deposit intangible assets	139	140	143
Postage	85	84	92
Stationary and supplies	166	172	155
FDIC assessment	492	300	271
Loan closing fees	673	967	1,592
Deposit losses	189	139	60
Other	2,429	2,302	1,737
Total other operating expenses	$ 11,302	$ 11,226	$ 11,519

NOTE 11 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2023, 2022 and 2021 consist of the following:

	2023	2022	2021
		(in thousands)	
Current	$ 827	$ (127)	$ 1,114
Deferred	(144)	1,341	1,380
Total provision for income taxes	$ 683	$ 1,214	$ 2,494

NOTE 11 - INCOME TAXES (CONTINUED)

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2023, 2022, and 2021:

	2023	2022	2021
		(in thousands)	
Expected tax using statutory rate	$ 1,951	$ 2,630	$ 3,376
Increase (decrease) in tax resulting from:			
Tax-exempt income on state and municipal securities and political subdivision loans	(713)	(790)	(619)
Tax-exempt income on life insurance contracts	(74)	(228)	(85)
Deductible dividends paid to United Bancshares, Inc. ESOP	(243)	(182)	(73)
Tax Credits	(262)	(216)	(105)
Other, net	24	-	-
Total provision for income taxes	$ 683	$ 1,214	$ 2,494

The deferred income tax provision (credit) of ($144,000) in 2023, $1,341,000 in 2022, and $1,380,000 in 2021 resulted from the tax effects of temporary differences.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below:

	2023	2022
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 1,864	$ 1,977
Deferred compensation	289	335
Alternative minimum tax credits	-	-
Nonaccrual loan interest	38	56
Deferred loan fees	179	193
Accrued vacation expense	117	107
Accrued profit sharing	69	211
Loans fair value adjustments	225	218
Unrealized loss on securities available-for-sale	8,150	10,198
Other	223	86
Net operating loss carryforwards	252	278
Total deferred tax assets	$ 11,406	$ 13,659
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	196	363
Unrealized gain on securities available-for-sale	-	-
Capitalized mortgage servicing rights	471	499
Fixed asset depreciation	629	500
Acquisition intangibles	1,847	1,873
Trust preferred fair value adjustment	56	62
Other	533	365
Total deferred tax liabilities	$ 3,732	$ 3,662
Net deferred tax assets	$ 7,674	$ 9,997

NOTE 11 - INCOME TAXES (CONTINUED)

Net deferred tax assets liabilities at December 31, 2023 and 2022 are included in other assets and other liabilities in the consolidated balance sheets, respectively.

The Corporation acquired $15.0 million in federal loss carryforwards with the 2014 acquisition of OSB, which losses expire in years ranging from 2029 to 2033. Since the use of these losses is limited to $126,000 per year under Section 382 of the Internal Revenue Code, the Corporation recorded in deferred tax assets at the time of acquisition the tax benefit of only $2.5 million of the losses that were deemed more likely than not to be utilized before expiration. The Corporation also acquired $8.9 million in federal loss carryforwards with the 2017 acquisition of Benchmark, which losses expire in years ranging from 2029 to 2036. Under Section 382 of the Internal Revenue Code, the annual limitation on the use of these losses is $652,000 subject to other adjustments. At December 31, 2023, $1.1 million of loss carryforwards remained from these acquisitions, resulting in a benefit of $252,000, which was reflected in deferred tax assets.

The Corporation had no unrecognized tax benefits at December 31, 2023 and 2022. The Corporation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

There was no accrued interest related to uncertain tax positions at December 31, 2023 and December 31, 2022.

The Corporation and its subsidiaries are subject to U.S. federal income tax. The Corporation and its subsidiaries are no longer subject to examination by taxing authorities for years before 2018. There are no current federal examinations of the Corporation's open tax years.

NOTE 12 - EMPLOYEE AND DIRECTOR BENEFITS

The Corporation sponsors a salary deferral, defined contribution plan which provides for both profit sharing and employer matching contributions. The plan permits investing in the Corporation's stock subject to certain limitations. Participants who meet certain eligibility conditions are eligible to participate and defer a specified percentage of their eligible compensation subject to certain income tax law limitations. The Corporation makes discretionary matching and profit-sharing contributions, which are approved annually by the Board of Directors and are subject to certain income tax law limitations. Contribution expense for the plan amounted to $1,070,000, $1,261,000, and $1,399,000 in 2023, 2022, and 2021, respectively. At December 31, 2023, the plan owned 312,903 shares of the Corporation's common stock.

The Corporation also sponsors nonqualified deferred compensation plans, covering certain directors and employees, which have been indirectly funded through the purchase of split-dollar life insurance policies. In connection with the policies, the Corporation has provided an estimated liability for accumulated supplemental retirement benefits amounting to $1,376,000 and $1,577,000 at December 31, 2023 and 2022, respectively, which is included in other liabilities in the accompanying consolidated balance sheets. The Corporation has also purchased split-dollar life insurance policies for investment purposes and to fund other employee benefit plans. The combined cash values of these policies aggregated $19,559,000 and $19,207,000 at December 31, 2023 and 2022, respectively.

Under an employee stock purchase plan, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a discount determined semi-annually by the Board of Directors as stipulated in the plan. The Corporation sold from treasury 7,845 shares in 2023, 7,804 shares in 2022, and 11,115 shares in 2021 under the plan.

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

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

The following financial instruments whose contract amount represents credit risk were outstanding at December 31, 2023 and 2022:

	2023	2022
	(in thousands)	
Commitments to extend credit	$ 192,544	$ 204,919
Letters of credit	$ 240	$ 319

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

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

NOTE 14 - REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and Bank to maintain minimum amounts and ratios (set forth in the following table) of Common Equity Tier 1 Capital (CET1) to risk-weighted assets (as defined), total and Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2023 and 2022, that the Corporation and Bank meet all capital adequacy requirements to which they are subject. Furthermore, the Board of Directors of the Bank has adopted a resolution to maintain Tier I capital at or above 8% of total assets.

As of December 31, 2023, the most recent notification from federal and state banking agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action.

To be categorized as "well capitalized," an institution must maintain minimum CET1, total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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

NOTE 14 - REGULATORY MATTERS (CONTINUED)

The actual capital amounts and ratios of the Corporation and Bank as of December 31, 2023 and 2022 are presented in the following table:

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2023						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 108,754	15.4%	$ 49,441	≥ 7.0%	N/A	N/A
Bank	$ 109,847	15.6%	$ 49,281	≥ 7.0%	$ 45,761	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 117,630	16.7%	$ 74,162	≥ 10.5%	N/A	N/A
Bank	$ 118,657	16.9%	$ 73,922	≥ 10.5%	$ 70,402	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 108,754	15.4%	$ 60,036	≥ 8.5%	N/A	N/A
Bank	$ 109,847	15.6%	$ 59,841	≥ 8.5%	$ 46,321	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 108,754	10.3%	$ 42,151	≥ 4.0%	N/A	N/A
Bank	$ 109,847	10.0%	$ 43,769	≥ 4.0%	$ 54,712	5.0%
As of December 31, 2022						
Common Equity Tier 1 Capital (CET1) (to Risk Weighted Assets)						
Consolidated	$ 105,540	14.8%	$ 49,733	≥ 7.0%	N/A	N/A
Bank	$ 109,713	15.5%	$ 49,609	≥ 7.0%	$ 46,066	6.5%
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 114,851	16.2%	$ 74,599	≥ 10.5%	N/A	N/A
Bank	$ 118,585	16.7%	$ 74,414	≥ 10.5%	$ 70,870	10.0%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 105,450	14.8%	$ 60,390	≥ 8.5%	N/A	N/A
Bank	$ 109,713	15.5%	$ 60,240	≥ 8.5%	$ 56,696	8.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 105,450	10.1%	$ 41,735	≥ 4.0%	N/A	N/A
Bank	$ 109,713	10.1%	$ 43,620	≥ 4.0%	$ 54,524	5.0%

(1) Includes capital conservation buffer of 2.5%

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

NOTE 15 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION

A summary of condensed financial information of the parent company as of December 31, 2023 and 2022 and for each of the years in the three-year period ended December 31, 2023, is as follows:

Condensed Balance Sheets

	2023	2022
	(in thousands)	
Assets		
Cash	$ 127	$ 421
Investment in bank subsidiary	109,759	101,176
Other Assets	2,288	1,791
Total assets	$ 112,174	$ 103,388
Liabilities:		
Junior subordinated deferrable interest debentures	$ 13,043	$ 13,009
Other borrow ings	5,000	7,500
Other liabilities	207	188
Total Liabilities	18,250	20,697
Shareholders' equity	93,924	82,691
Total liabilities and shareholders' equity	$ 112,174	$ 103,388

Condensed Statements of Income

	2023	2022	2021
		(in thousands)	
Income - dividends from bank subsidiary	$ 9,500	$ 5,000	$ 5,000
Expenses - interest, professional fees and other expenses, net of federal income tax benefit and interest income	(1,573)	(1,303)	(979)
Income before equity in undistributed net income of bank subsidiary	7,927	3,697	4,021
Equity in undistributed net income of bank subsidiary	679	7,613	9,560
Net Income	$ 8,606	$ 11,310	$ 13,581

NOTE 15 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

Condensed Statement of Cash Flows

	2023	2022	2021
		(in thousands)	
Cash flows from operating activities			
Net Income	$ 8,606	$ 11,310	$ 13,581
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(679)	(7,613)	(9,560)
Stock option expense	197	222	183
Depreciation and amortization	34	34	35
(Increase) decrease in other assets	(693)	(334)	(537)
Increase (decrease) in other liabilities	19	19	(31)
Net cash provided by operating activities	7,484	3,638	3,671
Cash flows from financing activities			
Proceeds from other borrowings	(1,500)	1,500	7,000
Principal payments on other borrowings	(1,000)	(1,000)	(7,750)
Purchase of treasury stock	(2,740)	(2,876)	(368)
Proceeds from sale of treasury shares	240	243	243
Cash paid for cancellation of stock options	-	-	-
Cash paid for net shares repurchased, stock option exercise	(6)	(197)	(387)
Cash dividends paid	(2,772)	(2,747)	(2,394)
Net cash provided by (used in) financing activities	(7,778)	(5,077)	(3,656)
Net increase (decrease) in cash	(294)	(1,439)	15
Cash at beginning of the year	421	1,860	1,845
Cash at the end of the year	$ 127	$ 421	$ 1,860

During 2005, the Board of Directors approved a program whereby the Corporation purchases shares of its common stock in the open market. The decision to purchase shares, the number of shares to be purchased, and the price to be paid depends upon the availability of shares, prevailing market prices, and other possible considerations which may impact the advisability of purchasing shares. The Corporation purchased 94,215 shares in 2023, 130,553 shares in 2022, and 11,651 shares in 2021 under the program. As of December 31, 2023, there were 216,980 shares available for repurchase under this plan.

NOTE 16 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial assets (there were no financial liabilities) measured at fair value as of December 31, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 input	Level 2 input	Level 3 inputs	Total fair value
2023		(in thousands)		
Recurring:				
Securities available for sale:				
Obligations of state and political subdivisions	$ -	$ 119,337	$ -	$ 119,337
Mortgage-backed	-	124,213	-	124,213
U.S. Government agencies	-	4,574	-	4,574
Other	3,379	2	-	3,381
Mortgage servicing rights	-	-	2,241	2,241
Total recurring financial assets	$ 3,379	$ 248,126	$ 2,241	$ 253,746
Nonrecurring:				
Impaired Loans	$ -	$ -	$ -	$ -
2022				
Recurring:				
Securities available for sale:				
Obligations of state and political subdivisions	$ -	$ 136,329	$ -	$ 136,329
Mortgage-backed	-	137,792	-	137,792
U.S. Government agencies	-	4,605	-	4,605
Other	2,558	2	-	2,560
Mortgage servicing rights	-	-	2,371	2,371
Total recurring financial assets	$ 2,558	$ 278,728	$ 2,371	$ 283,657
Nonrecurring:				
Impaired Loans	$ -	$ -	$ -	$ -

The table below presents a reconciliation and income statement classification of gains and losses for mortgage servicing rights, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
		(in thousands)	
Mortgage Servicing Rights			
Balance at beginning of year	$ 2,371	$ 1,868	$ 1,132
Gains or losses, including realized and unrealized			
Purchases, issuances, and settlements	72	258	628
Disposals - amortization based on loan payments and payoffs	(201)	(192)	(187)
Changes in fair value	(1)	437	295
Balance at end of year	$ 2,241	$ 2,371	$ 1,868

NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Securities Available-for-Sale

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

Mortgage Servicing Rights

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

Impaired Loans

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

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of recognized financial instruments at December 31, 2023 and 2022 are as follows:

	2023		2022		
	Carrying Value	Estimated Value	Carrying Value	Estimated Value	Input Level
			(in thousands)		
FINANCIAL ASSETS					
Cash and cash equivalents	$ 26,915	$ 26,915	$ 30,680	$ 30,680	1
Securities, including FHLB stock	253,588	253,588	285,146	285,146	2,3
Loans held for sale	2,163	2,163	3,970	3,970	3
Net loans and leases	697,789	682,917	674,174	662,217	3
Mortgage servicing rights	2,241	2,241	2,371	2,371	3
Hedging assets	92	92	215	215	3
Total financial assets	$ 982,788	$ 967,916	$ 996,556	$ 984,599	
FINANCIAL LIABILITIES					
Deposits					
Maturity	$ 225,145	$ 223,251	$ 125,777	$ 122,209	3
Non-maturity	727,700	727,700	828,106	828,106	1
Fed funds purchased and other borrowings	5,000	5,000	31,079	31,079	3
Junior subordinated deferrable interest debentures	13,043	11,079	13,009	9,608	3
Hedging liabilities	28	28	10	10	3
Total financial liabilities	$ 970,916	$ 967,058	$ 997,981	$ 991,012	

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

There are also unrecognized financial instruments at December 31, 2023 and 2022 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $192.8 million at December 31, 2023 and $205.2 million at December 31, 2022. 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.

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Securities:
Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities may be classified within Level 3 of the valuation hierarchy. The Corporation did not have any securities classified as Level 3 at December 31, 2023 or 2022.

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

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

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

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

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

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

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

NOTE 18 - REVENUE RECOGNITION

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

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

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

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

NOTE 18 - REVENUE RECOGNITION (CONTINUED)

The following table presents the Company's non-interest income for the years ended December 31, 2023, 2022 and 2021. Items outside the scope of ASC 606 are noted as such.

	December 31,		
	2023	2022	2021
		(in thousands)	
Service charges on deposit accounts	$ 1,364	$ 1,232	$ 1,090
Gains on sale of loans (1)	2,077	1,870	13,468
Net securities gains (losses) (1)	(68)	(114)	(16)
Change in fair value of mortgage servicing rights (1)	(1)	437	295
Increase in cash surrender value of life insurance (1)	352	1,166	402
Credit and debit card interchange fees	1,851	1,788	1,806
Wealth management	567	480	420
Net loan servicing fees (1)	521	550	512
Other non-interest income (expense)	712	2,545	(631)
Total non-interest income	$ 7,375	$ 9,954	$ 17,346

(1) Not w ithin the scope of ASC 606

NOTE 19 - LEASING ARRANGEMENTS

The Corporation leases various branch facilities under operating leases. Rent expense was $272,000, $396,000, and $406,000 for the years ended December 31, 2023, 2022 and 2021, respectively. A right-of-use lease asset, included in other assets, was $1,022,000 and $1,364,000 at December 31, 2023 and December 31, 2022, respectively. A right-of-use lease liability, included in other liabilities, was $1,061,000 and $1,364,000 at December 31, 2023 and December 31, 2022, respectively.

The following is a schedule of future minimum rental payments required under the facility leases as of December 31, 2023:

December 31,	Amount
	(in thousands)
2024	$ 267
2025	247
2026	117
2027	52
2028	45
Thereafter	566
Total	1,294
Present value discount	(233)
Total	$ 1,061

NOTE 20 - STOCK-BASED COMPENSATION

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

The Corporation issued 35,966 options during 2022 at an exercise price of $23.10, 21,958 options during 2021 at an exercise price of $34.60, and 63,858 options during 2020 at an exercise price of $16.77 under the Plan. Following is a summary of activity for stock options for the years ended December 31, 2023, 2022 and 2021 (number of shares):

	2023	2022	2021
		(in thousands)	
Outstanding, beginning of year	$ 143,178	$ 133,792	$ 157,817
Granted	-	35,966	21,958
Exercised	(4,447)	(23,356)	(33,324)
Cancelled	-	-	-
Forfeited	(13,903)	(3,224)	(12,659)
Outstanding, end of year	$ 124,828	$ 143,178	$ 133,792
Weighted average exercise price at end of year	$ 22.60	$ 22.71	$ 22.28

The options vest over a three-year period on the anniversary of the date of grant. At December 31, 2023, 86,921 options were vested and outstanding options had a weighted average remaining contractual term of 6.7 years.

The fair value of options granted is estimated at the date of grant using the Black Scholes option pricing model. Following are assumptions used in calculating the fair value of the options granted in 2022 and 2021. There were no options issued in 2023.

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

Total compensation expense related to the stock options granted in 2022, net of forfeitures, is expected to be $250,000 and is being recognized ratably over the 36-month period beginning July 1, 2022. Total compensation expense related to the stock options granted in 2021, net of forfeitures, is expected to be $242,000 and is being recognized ratably over the 36-month period beginning July 1, 2021. Stock option expense for outstanding awards amounted to $197,000, $222,000, and $183,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 21 - CONTINGENT LIABILITIES

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

NOTE 22 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents a summary of selected unaudited quarterly financial data for 2023 and 2022:

	Interest Income	Net Interest Income	Net Income	Net Income per Basic	Net Income per Diluted
	(in thousands, except share data)				
2023					
First quarter	$ 11,183	$ 8,559	$ 1,885	$ 0.60	$ 0.60
Second quarter	$ 11,840	$ 8,432	$ 2,405	$ 0.78	$ 0.78
Third quarter	$ 11,975	$ 8,174	$ 1,975	$ 0.65	$ 0.65
Fourth quarter	$ 12,203	$ 7,942	$ 3,534	$ 0.77	$ 0.77
2022					
First quarter	$ 8,765	$ 8,202	$ 2,520	$ 0.77	$ 0.76
Second quarter	$ 9,253	$ 8,682	$ 2,170	$ 0.66	$ 0.65
Third quarter	$ 10,126	$ 9,329	$ 3,086	$ 0.94	$ 0.94
Fourth quarter	$ 10,798	$ 9,471	$ 3,534	$ 1.10	$ 1.10

OUR DIRECTORS

DIRECTORS - UNITED BANCSHARES, INC

Robert L. Benroth
Putnam County Auditor
Director Since 2003

Herbert H. Huffman
Retired - Educator
Director Since 2018

H. Edward Rigel
Farmer, Rigel Farms, Inc.
Director Since 2000

David P. Roach
Vice President/GM, First Family Broadcasting of Ohio
Director Since 2001

Daniel W. Schutt
Chairman, Retired Banker
Director Since 2005

R. Steven Unverferth
Chairman, Unverferth Manufacturing Corporation, Inc.
Director Since 2005

Brian D. Young
President/CEO, The Union Bank Co.
Director Since 2012

DIRECTORS - THE UNION BANK COMPANY

Robert L. Benroth
Putnam County Auditor
Director Since 2001

Anthony M.V. Eramo
Managing Director, MountainView Financial Solutions
Director Since 2016

Herbert H. Huffman
Retired - Educator
Director Since 1993

Kevin L. Lammon
Village Administrator, Village of Leipsic
Director Since 1996

William R. Perry
Farmer
Director Since 1990

H. Edward Rigel
Farmer, Rigel Farms, Inc.
Director Since 1979

David P. Roach
Vice President/GM, First Family Broadcasting of Ohio
Director Since 1997

Carol R Russell
President/CEO, Schulte Group
Director Since 2019

Daniel W. Schutt
Retired Banker
Director Since 2005

R. Steven Unverferth
Chairman, Unverferth Manufacturing Corporation, Inc.
Director Since 1993

Dr. Jane M. Wood
President, Bluffton University
Director Since 2021

Brian D. Young
President/CEO, The Union Bank Co.
Director Since 2008

BRANCH LOCATIONS

Bowling Green
1300 N Main Street
Bowling Green, OH 43402
419-353-6088

Columbus Grove
101 Progressive Drive
Columbus Grove, OH 45830
419-659-4250

Delphos
114 E Third Street
Delphos, OH 45833
419-692-2010

Findlay
1500 Bright Road
Findlay, OH 45840
419-424-1400

Findlay LPO
222 S Main Street
Findlay, OH 45840
419-659-2141

Gahanna
461 Beecher Road
Gahanna, OH 43230
614-269-4400

Gibsonburg
230 W Madison Street
Gibsonburg, OH 43431
419-637-2124

Kalida
110 E North Street
Kalida, OH 45853
419-532-3366

Leipsic
318 S Belmore Street
Leipsic, OH 45856
419-943-2171

Lewis Center
30 Coal Bend
Delaware, OH 43015
740-549-3400

Lima East
1410 Bellefontaine Avenue
Lima, OH 45804
419-229-6500

Lima Shawnee
701 Shawnee Road
Lima, OH 45805
419-228-2114

Lima West
3211 Elida Road
Lima, OH 45805
419-331-3211

Marion Downtown
111 S Main Street
Marion, OH 43302
740-387-2265

Marion Richland
220 Richland Road
Marion, OH 43302
740-386-2171

Marysville LPO
240 W Fifth Street
Marysville, OH 43040
419-659-2141

New Haven LPO
2660 W State Route 224
Plymouth, OH 44865
419-659-2141

Ottawa
245 W Main Street
Ottawa, OH 45875
419-523-2265

Paulding
103 S Main Street
Paulding, OH 45879
419-567-1075

Pemberville
132 E Front Street
Pemberville, OH 43450
419-287-3211

Westerville
468 Polaris Pkwy
Westerville, OH 43082
614-296-4402

MEMBER FDIC EQUAL HOUSING LENDER

INVESTOR MATERIALS

The enclosed Summary Annual Report presents only an overview of the more complete report that is available to you on the Investor Relations link on our website, www.theubank.com. Annual and quarterly shareholder reports, regulatory filings, press releases, and articles about United Bancshares, Inc. are also available through that website or by calling 800-837-8111. We encourage you to access and review the full Annual Report and proxy materials contained online before voting.