UNITED BANCSHARES INC/OH
Form 10-Q
May 01, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

Commission file number 000-29283

UNITED BANCSHARES, INC.

(Exact name of Registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

100 S. High Street, Columbus Grove, Ohio

(Address of principal executive offices)

34-1516518

(I.R.S. Employer Identification Number)

45830

(Zip Code)

(419) 659-2141

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ____ Accelerated filer ____ Non-accelerated filer ____ Smaller Reporting Company_X_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No _X_

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of April 13, 2009: 3,442,779

This document contains 26 pages. The Exhibit Index is on page 20 immediately preceding the filed exhibits.

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UNITED BANCSHARES, INC.

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PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

United Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets (Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 7,180,042	$ 18,554,222
Interest-bearing deposits in other banks	22,694,129	6,932,446
Federal funds sold	100,000	135,625
Total cash and cash equivalents	29,974,171	25,622,293
SECURITIES, available-for-sale	136,446,816	136,498,302
FEDERAL HOME LOAN BANK STOCK, at cost	4,893,800	4,893,800
LOANS HELD FOR SALE	238,434	241,838
LOANS	420,805,019	418,143,370
Less allowance for loan losses	(3,666,952)	(3,198,130)
Net loans	417,138,067	414,945,240
PREMISES AND EQUIPMENT, net	9,257,814	9,296,614
GOODWILL	7,282,013	7,282,013
CASH SURRENDER VALUE OF LIFE INSURANCE	12,013,017	11,889,832
OTHER ASSETS, including accrued interest receivable and other intangible assets	5,650,383	5,394,051
TOTAL ASSETS	$ 622,894,515	$ 616,063,983

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES		
Deposits		
Non-interest bearing	$ 38,003,497	$ 41,710,057
Interest bearing	432,899,251	423,081,587
Total deposits	470,902,748	464,791,644
Other borrowings	83,804,766	86,252,383
Junior subordinated deferrable interest debentures	10,300,000	10,300,000
Accrued expenses and other liabilities	4,995,581	4,060,241
Total liabilities	570,003,095	565,404,268

SHAREHOLDERS' EQUITY				
Common stock, $1 stated value, authorized 10,000,000 shares;				
issued 3,760,557 shares		3,760,557		3,760,557
Surplus		14,659,661		14,659,661
Retained earnings		38,442,526		37,528,026
Accumulated other comprehensive income (loss)		887,836		(412,304)
Treasury stock, 317,778 shares at March 31, 2009 and 318,894 shares at December 31, 2008, at cost		(4,859,160)		(4,876,225)
Total shareholders' equity		52,891,420		50,659,715
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	622,894,515	$	616,063,983

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Condensed Consolidated Statements of Income (Unaudited)

	Three months ended March 31,	
	2009	2008
INTEREST INCOME		
	$	$
Loans, including fees	6,739,248	7,068,129
Securities:		
Taxable	1,155,553	1,095,019
Tax-exempt	493,327	454,533
Other	10,663	47,603
Total interest income	8,398,791	8,665,284
INTEREST EXPENSE		
Deposits	2,452,266	2,927,518
Other borrowings	906,298	1,238,424
Total interest expense	3,358,564	4,165,942
NET INTEREST INCOME	5,040,227	4,499,342
PROVISION FOR LOAN LOSSES	600,000	275,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,440,227	4,224,342
NON-INTEREST INCOME		
Gain on sales of loans	416,779	93,480
Gain on sales of securities	5,000	21,486
Change in fair value of mortgage servicing rights	(55,505)	(251,262)
Other	616,592	693,574
Total non-interest income	982,866	557,278
NON-INTEREST EXPENSES	3,575,215	3,633,308
Income before income taxes	1,847,878	1,148,312
PROVISION FOR INCOME TAXES	416,000	203,000

NET INCOME		$ 1,431,878	$ 945,312
		========	========
NET INCOME PER SHARE			
	Basic	$ 0.42	$ 0.27
	Weighted average common shares outstanding	3,442,419	3,467,222
	Diluted	$ 0.42	$ 0.27
	Weighted average common shares outstanding	3,442,419	3,468,759

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Consolidated Statements of Shareholders Equity (Unaudited)

Three months ended March 31, 2009 and 2008

		Common Stock	**Surplus**	**Retained Earnings**	**Accumulated Oth Comprehensive Income (Loss)**
BALANCE AT DECEMBER 31, 2008	$	3,760,557	14,659,661	37,528,026	(412,30
Net income				1,431,878	
Change in unrealized gain (loss) on securities, net of tax					1,300,1
Total comprehensive income					
Dividends declared ($0.15 per share)				(516,417)	
1,116 shares issued from treasury in connection with the Corporation s Employee Stock Purchase Plan				(961)	
BALANCE AT MARCH 31, 2009	$	3,760,557	14,659,661	38,442,526	887,8
BALANCE AT DECEMBER 31, 2007	$	3,760,557	14,659,661	35,187,304	(576,06
Net income				945,312	
Change in unrealized gain (loss) on securities, net of tax					1,300,5
Total comprehensive income					
Dividends declared ($0.15 per share)				(516,469)	
3,723 shares issued from treasury in connection with the Corporation s Employee Stock Purchase Plan				(8,589)	
Purchase of 50,000 common shares					
BALANCE AT MARCH 31, 2008	$	3,760,557	14,659,661	35,607,558	724,5

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash flows from operating activities	$ 2,004,875	$ 874,765
Cash flows from investing activities:		
Purchases of available-for-sale securities, net of proceeds from calls or maturities	2,060,562	14,949,045
Net increase in loans	(2,792,827)	(29,322,552)
Expenditures for premises and equipment	(83,906)	(37,507)
Net cash from investing activities	(816,171)	(14,411,014)
Cash flows from financing activities:		
Net change in deposits	6,111,104	22,144,181
Long-term borrowings, net of repayments	(2,447,617)	1,992,538
Purchase of treasury shares	-	(707,500)
Proceeds from issuance of common stock	16,104	49,255
Cash dividends paid	(516,417)	(516,469)
Net cash from financing activities	3,163,174	22,962,005
Net change in cash and cash equivalents	4,351,878	9,425,756
Cash and cash equivalents:		
At beginning of period	25,622,293	15,079,214
At end of period	$ 29,974,171	$ 24,504,970
Cash paid for:		
Interest	$ 3,181,386	$ 4,399,280
Income taxes	$ -	$ 200,000

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Unaudited)

March, 31, 2009

Note 1 Consolidated Financial Statements

The consolidated financial statements of United Bancshares, Inc. and subsidiary (the Corporation) have been prepared without audit and in the opinion of management reflect all adjustments (which include normal recurring adjustments) necessary to present fairly such information for the periods and dates indicated. Since the unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q, they do not contain all information and footnotes typically included in financial statements prepared in conformity with generally accepted accounting principles. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Complete audited consolidated financial statements with footnotes thereto are included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, The Union Bank Company (Union). Union 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. Significant intercompany accounts and transactions have been eliminated in consolidation. The accounting and reporting policies of the Corporation conform to generally accepted practices within the banking industry. The Corporation considers all of its principal activities to be banking related.

Note 2 - Securities

The amortized cost and fair value of available-for-sale securities as of March 31, 2009 and December 31, 2008 are as follows (dollars in thousands):

	March 31, 2009		December 31, 2008	
	Amortized cost	Fair value	Amortized cost	Fair value
Obligations of states and				

political subdivisions	$ 47,666	47,884	47,296	46,522
Mortgage-backed	86,934	88,058	89,325	89,476
Other	502	505	502	500
Total	$ 135,102	$ 136,447	$ 137,123	$ 136,498
	========	=======	=======	=======

A summary of gross unrealized gains and losses on available-for-sale securities at March 31, 2009 and December 31, 2008 follows (dollars in thousands):

	March 31, 2009		**December 31, 2008**	
	Gross unrealized gains	**Gross unrealized losses**	**Gross unrealized gains**	**Gross unrealized losses**
Obligations of states and				
political subdivisions	$ 871	$ 653	$ 330	$ 1,104
Mortgage-backed	2,074	950	1,283	1,132
Other	3	-	-	2
Total	$ 2,948	$ 1,603	$ 1,613	$ 2,238
	========	=======	========	=======

Note 3 - Other Comprehensive Income

The components of other comprehensive income and related tax effects are as follows for the three-month periods ended March 31, 2009 and 2008 (dollars in thousands):

	2009	2008
Unrealized holding gains on available-for-sale securities	$ 1,975	$ 1,992
Reclassification adjustments for securities gains realized in income	(5)	(21)
Net unrealized gains	1,970	1,971
Tax effect	670	670
Net-of-tax amount	$ 1,300	$ 1,301
	=======	=======

Note 4 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. The interest rate of the debentures was fixed at 6.40% for a five-year period through March 26, 2008. Effective March 27, 2008, interest is at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month LIBOR amounting to 4.62% at March 31, 2009. Interest is payable quarterly. The Corporation has the right, subject to events in default, to defer payments of interest on the debentures by extending the interest payment period for a period not exceeding 20 consecutive quarterly periods. Interest expense on the debentures amounted to $115,406 and $160,000 for the three-month periods ended March 31, 2009 and 2008, respectively 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, under Federal Reserve Board guidelines, the securities cannot be used to constitute more than 25% of the Corporation s core tax Tier I capital inclusive of these securities.

ITEM 2

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL DATA

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

	As of or for the Three Months Ended March 31,	
	2009	2008
SIGNIFICANT RATIOS (Unaudited)		
Net income to:		
Average assets (a)	0.93%	0.68%
Average shareholders equity (a)	11.06%	7.66%
Net interest margin (a)	3.66%	3.62%
Efficiency ratio (b)	56.96%	68.67%
Average shareholders equity to average assets	8.41%	8.81%
Loans to deposits (end of period) (c)	89.41%	93.57%
Allowance for loan losses to loans (end of period) (d)	0.87%	0.62%
Cash dividends to net income	36.07%	54.63%
Book value per share	$ 15.36	$ 14.49

(a) Net income to average assets, net income to average shareholders equity and net interest margin are presented on an annualized basis. Net interest margin is calculated using fully-tax equivalent net interest income as a percentage of average interest earning assets.

(b) Efficiency ratio is a ratio of non-interest expense as a percentage of fully tax equivalent net interest income plus non-interest income.

(c) Includes loans held for sale.

(d) Excludes loans held for sale.

Introduction

United Bancshares, Inc. (the Corporation), an Ohio corporation, is a bank 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 100 S. High Street, Columbus Grove, Ohio 45830. The Corporation is a one-bank holding company, as that term is defined by the Federal Reserve Board.

The Union Bank Company (Union), a wholly-owned subsidiary of the Corporation, is engaged in the business of commercial banking. Union is an Ohio state-chartered bank, which serves Allen, Putnam, Sandusky, Van Wert and Wood counties, with office locations in Bowling Green, Columbus Grove, Delphos, Gibsonburg, Kalida, Leipsic, Lima, Ottawa, and Pemberville.

Union offers a full range of commercial banking services, including checking accounts, savings and money market accounts, time certificates of deposit, automatic teller machines, commercial, consumer, agricultural, residential mortgage loans and home equity loans, credit card services, safe deposit box rentals, and other personalized banking services. Union has formed UBC Investments, Inc. (UBC) to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware.

When or if used in the Corporation s Securities and Exchange Commission filings or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases: anticipate, would be, will allow, intends to, will likely result, are expected to, will continue, is estimated, is projected, or similar expressions are intended to identify forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any such statements are subject to the risks and uncertainties that include but are not limited to: changes in economic conditions in the Corporation s market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Corporation s market area, and competition. All or some of these factors could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

The Corporation cautions readers not to place undue reliance on any such forward looking statements, which speak only as of the date made, and advises readers that various factors, including regional and national economic conditions, substantial changes in the levels of market interest rates, credit and other risks associated with lending and investing activities, and competitive and regulatory factors could affect the Corporation s financial performance and could cause the Corporation s actual results for future periods to differ materially from those anticipated or projected. The Corporation does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

The Corporation is registered as a Securities Exchange Act of 1934 reporting company.

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

RESULTS OF OPERATIONS

Overview of the Income Statement

For the quarter ended March 31, 2009, the Corporation reported net income of $1,432,000, or $0.42 basic earnings per share. This compares to first quarter 2008 net income of $945,000, or $0.27 basic earnings per share. Compared with the same period in 2008, first quarter 2009 net income increased $487,000 or 51.5%. The $487,000 increase for the quarter was primarily the result of a $426,000 increase in non-interest income, a decrease of $807,000 in interest expense, and a decrease of $58,000 in non-interest expenses offset by a decrease of $266,000 in interest income, an increase of $325,000 in the provision for loan losses and an increase in the provision for income taxes of $213,000.

Interest Income and Expense

Net interest income is the amount by which interest income from interest-earning assets exceeds interest incurred on interest-bearing liabilities. Interest-earning assets consist principally of loans and investment securities while interest-bearing liabilities include interest-bearing deposit accounts and borrowed funds. Net interest income remains the primary source of revenue for the Corporation. Changes in market interest rates, as well as changes in the mix and volume of interest-bearing assets and interest-bearing liabilities impact net interest income. Net interest income was $5,040,000 for the first quarter of 2009, compared to $4,499,000 for the same period of 2008, an increase of $541,000 (12.0%). This increase was mostly due to a $55 million increase in average interest-earning assets for the first quarter of 2009 as compared to the same period in 2008, as well as a slight increase in the net interest margin. The increase in average interest-earnings assets included a $46 million increase in loans.

Net interest margin is calculated by dividing net interest income (adjusted to reflect tax-exempt interest income on a taxable equivalent basis) by average interest-earning assets. The resulting percentage serves as a measurement for the Corporation in comparing its results with those of past periods as well as those of peer institutions. For the three months ended March 31, 2009, the net interest margin (on a taxable equivalent basis) was 3.66% compared with 3.62% for the same period of 2008. The increase in the net interest margin for the first quarter of 2009 as compared to the first quarter of 2008 primarily resulted from the decrease in the cost of interest bearing deposits (2.58% in 2009 compared to 3.57% in 2008) having a greater impact on the net interest margin than the decrease in the yield of interest-earning assets (5.98% in 2009 compared to 6.80% in 2008).

Provision for Loan Losses

The provision for loan losses is determined based upon management s calculation of the allowance for loan losses and is reflective of management s assessment of the quality of the portfolio and overall management of the inherent credit risk of the loan portfolio. Changes in the provision for loan losses are dependent, among other things, on loan delinquencies, collateral position, portfolio risks and general economic conditions in the Corporation s lending markets. A $600,000 provision for loan losses was made for the first quarter of 2009 compared to a $275,000 provision for the same period in 2008. The increase in the provision for loan losses for the first quarter of 2009 as compared to the first quarter of 2008 is attributable to an increase in problem and potential problem loans as well as Union's charge-off experience. During the quarter ended March 31, 2009, Union recorded a $183,000 provision for loan losses relating to impaired loans and a $103,000 provision for potential problem loans. See Allowance for Loan Losses under Financial Condition for further discussion of the provision for loan losses.

Non-Interest Income

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

Gain on sales of loans amounted to $417,000 for the quarter ended March 31, 2009, compared to $93,000 for the first quarter of 2008, an increase of $324,000. The quarterly gains included capitalized servicing rights of $181,000 and $21,000 on $20.8 million and $2.5 million of originated loan sales during the quarters ended March 31, 2009 and 2008, respectively. The balance of the gain on sales of loans represented cash gains. The significant increase in loan sales activity for the first quarter of 2009 as compared to 2008 is attributable to the significant decline in mortgage interest rates during the fourth quarter of 2008 and first quarter of 2009. Despite the significant loan sales activity experienced during the first quarter of 2009, Union's serviced portfolio remained essentially unchanged increasing only $1.5 million to $189.0 million at March 31, 2009.

The fair value of mortgage servicing rights decreased $56,000 for the quarter ended March 31, 2009 compared to $251,000 for the quarter ended March 31, 2008. Amortization of mortgage servicing rights, which is reported as a reduction of servicing income (other non-interest income in the accompanying condensed consolidated statements of income), amounted to $73,000 for the quarter ended March 31, 2009 compared to $80,000 for the quarter ended March 31, 2008.

Other non-interest income decreased $77,000 (11.1%) to $617,000 for the quarter ended March 31, 2009 compared to the same period in 2008. The decrease was the result of an $80,000 decrease in NSF and Overdraft charges.

Non-Interest Expenses

For the quarter ended March 31, 2009, non-interest expenses were $3,575,000, compared to $3,633,000 for the first quarter of 2008, a $58,000 (1.6%) decrease.

Non-interest expenses for the quarter ended March 31, 2009 included a $65,000 increase in the Corporation's FDIC assessment and a $79,000 decrease in the write downs on other real estate owned ($25,000 in 2009 compared to $104,000 in 2008), compared to the same quarter in 2008. In addition to the Corporation s ongoing commitment to the improvement of internal controls and the overall operational environment, the Corporation has and will continue to identify and implement cost saving strategies.

Maintaining acceptable levels of non-interest expenses and operating efficiency are key performance indicators for the Corporation in its strategic initiatives. The financial services industry uses the efficiency ratio (total non-interest expense as a percentage of the aggregate of fully-tax equivalent net interest income and non-interest income) as a key indicator of performance. For the quarter ended March 31, 2009, the Corporation s efficiency ratio improved to 56.96% compared to 68.67% for the same period of 2008.

Current economic conditions have increased bank failures and expectations for further failures, in which case the FDIC insures payment of deposits up to insured limits from the Deposit Insurance Fund. In late 2008, the FDIC announced an increase in insurance premium rates of seven basis points for the first quarter of 2009. On February 27, 2009, the FDIC announced its adoption of an interim final rule imposing a one-time special assessment of up to 20 basis points and a final rule adjusting the risk-based calculation used to determine the premiums due from each financial institution. On March 5, 2009, the FDIC announced its plan to reduce the special assessment to 10 basis points. Although at the time of this filing it was unclear to management the precise amount of the special assessment, management expects that the special assessment and the changes in the premium calculation will significantly increase the Corporation s FDIC insurance expense for the remainder of 2009 and possibly thereafter.

Provision for Income Taxes

The provision for income taxes for the quarter ended March 31, 2009 was $416,000, or 22.5% of income before income taxes, compared to $203,000, or 17.7%, for the comparable 2008 period. The increase in the effective tax rate is attributable to tax-exempt interest income comprising a smaller portion of income before income taxes in 2009 than 2008.

Return on Assets

Return on average assets was 0.93% for the first quarter of 2009, compared to 0.68% for the comparable quarter of 2008. The increase resulted from a 51.5% increase in net income with only a slight increase in the Corporation s average assets.

Return on Equity

Return on average equity for the first quarter of 2009 was 11.06% compared to 7.66% for the same period of 2008. This increase was the result of the increase in net income. The Corporation and Union met all regulatory capital requirements as of March 31, 2009, and Union is considered well capitalized under regulatory and industry standards of risk-based capital.

FINANCIAL CONDITION

Overview of Balance Sheet

Total assets amounted to $623.0 million at March 31, 2009 compared to $616.0 million at December 31, 2008, an increase of $7.0 million, or 1.1%. The increase in assets was the result of an increase in total cash and cash equivalents of $4.4 million (17.0%), and an increase of $2.6 million (0.6%) in gross loans. Deposits during this same period increased $6.1 million (1.3%) and other borrowings (consisting of Federal Home Loan Bank borrowings, securities sold under agreements to repurchase, customer repurchase agreements, and junior subordinated deferrable debentures) decreased $2.4 million (2.8%).

Shareholders equity increased from $50.7 million at December 31, 2008 to $52.9 million at March 31, 2009. This increase was the result of net income ($1,432,000), the issuance of 1,116 treasury shares ($16,000) under the Corporation s Employee Stock Purchase Plan and a $1,300,000 increase in unrealized securities gains, net of tax, offset by the payment of dividends ($516,000). The increase in unrealized securities gains from January 1, 2009 to March 31, 2009, was the result of customary and expected changes in the bond market. Unrealized gains on securities are reported as accumulated other comprehensive income in the consolidated balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents totaled $30.0 million at March 31, 2009 compared to $25.6 million at December 31, 2008. Cash and cash equivalents at March 31, 2009 includes interest-bearing deposits in other banks of $22.7 million compared to $6.9 million at December 31, 2008. Management believes the current level of cash and cash equivalents is sufficient to meet the Corporation s present liquidity and performance needs. Total cash and cash equivalents fluctuate on a daily basis due to transactions in process and other liquidity needs. Management believes the Corporation s liquidity needs in the near term will be satisfied by the current balance of cash and cash equivalents, readily available access to traditional and non-traditional funding sources, and the portions of the investment and loan portfolios that will mature within one year. These sources of funds should enable the Corporation to meet cash obligations and off-balance sheet commitments as they come due. In addition, the Corporation has access to various sources of additional borrowings by virtue of long-term assets that can be used as collateral for such borrowings.

Securities

At March 31, 2009, available-for-sale securities totaled $136.4 million, a decrease of $51,000 from December 31, 2008. Management believes classifying securities as available-for-sale provides the Corporation flexibility and facilitates greater interest rate risk management opportunities. At March 31, 2009, the amortized cost of the Corporation s securities totaled $135.1 million, resulting in net unrealized gains of approximately $1.3 million and a corresponding after tax increase in shareholders equity of $888,000.

Management monitors the earnings performance and liquidity of the investment portfolio on a regular basis through Asset/Liability Committee meetings.

On February 5, 2009, the Corporation received preliminary approval to participate in the United States Department of the Treasury (Treasury) Troubled Asset Relief Program Capital Purchase Program. The Corporation s participation in the program was contingent upon the Corporation s shareholders authorizing the issuance of the preferred stock required to be issued to Treasury under the program. At the Corporation s annual meeting of shareholders held on April 22, 2009, the proposal to authorize such preferred stock did not receive the requisite approval of the holders of two-thirds of the Corporation s outstanding shares of Common Stock necessary for passage. As a result, on April 27, 2009, the Corporation requested that Treasury withdraw its application from consideration for participation in the Capital Purchase Program. The Corporation s request to Treasury was disclosed in its Current Report on Form 8-K dated April 27, 2009 which is hereby incorporated by reference.

Loans

The Corporation s lending is primarily centered in Northwestern and West Central Ohio. Gross loans (including loans held for sale) totaled $421.0 million at March 31, 2009 compared to $418.4 million at December 31, 2008, an increase of $2.6 million (0.6%).

Allowance for Loan Losses

The allowance for loan losses as a percentage of loans (excluding loans held for sale) was 0.87% at March 31, 2009 and 0.76% at December 31, 2008. Management believes the allowance is adequate given the composition of and risk inherent in the loan portfolio of Union. Management will continue to monitor the risk of credit loss associated with the loan portfolio, and will adjust the allowance accordingly.

The following table presents changes in the allowance for loan losses for the three months ended March 31, 2009 and 2008, respectively:

	(dollars in thousands)	
	2009	2008
Balance, beginning of period	$3,198	$2,233
Charge offs	(205)	(202)
Recoveries	74	87
Net charge offs	(131)	(115)
Provision for loan losses	600	275
Balance, end of period	$3,667	$2,393
	=====	=====

Loans on non-accrual status as a percentage of outstanding loans were 1.57% at March 31, 2009, compared to 0.74% at December 31, 2008. Non-accrual loans totaled $6,621,000 and $3,074,000 at March 31, 2009 and December 31, 2008, respectively. Management continues to closely monitor non-accrual loans and actively pursue collection. See "Provision for Loan Losses" under Results of Operations for related discussion.

Funding Sources

The Corporation considers a number of alternatives, including but not limited to, deposits, as well as short-term and long-term borrowings when evaluating funding sources. Deposits, including customer deposits, brokered certificates of deposit, and public funds deposits, continue to be the most significant source of funds for the Corporation, totaling $470.9 million, or 82.6% of the Corporation s funding sources at March 31, 2009. Total deposits increased $6.1 million (1.3%) during the quarter ended March 31, 2009.

Non-interest bearing deposits remain a smaller portion of the funding source for the Corporation than for most of its peers. Non-interest bearing deposits comprised 8.1% of total deposits at March 31, 2009 compared to 9.2% at March 31, 2008.

In addition to traditional deposits, the Corporation maintains both short-term and long-term borrowing arrangements. These borrowings consisted of FHLB borrowings totaling $71.4 million and $75.7 million at March 31, 2009 and December 31, 2008, respectively; securities sold under agreement to repurchase and customer repurchase agreements totaling $12.4 million and $10.6 million at March 31, 2009 and December 31, 2008, respectively; and junior subordinated deferrable interest debentures of $10.3 million at March 31, 2009 and 2008. Management plans to maintain access to various borrowing alternatives as an appropriate funding source.

Shareholders Equity

For the three month period ended March 31, 2009, the Corporation had net income of $1.4 million and declared dividends of $516,000, resulting in a dividend payout ratio of 36.07% of net income. Management believes the overall equity level supports this payout ratio. During the three month periods ended March 31, 2009 and 2008, the Corporation issued 1,116 and 3,723 shares respectively of treasury stock to participants under the Corporation s Employee Stock Purchase Plan. In addition, during the three month period ended March 31, 2008, the Corporation purchased 50,000 shares of its common stock through its share repurchase program.

The increase in net unrealized gains on available-for-sale securities, net of income taxes, was $1,300,000 for the three months ended March 31, 2009. Since all of the securities in the Corporation s portfolio are classified as available-for-sale, both the securities and equity sections of the consolidated balance sheet are sensitive to the changing market values of securities.

The Corporation has also complied with the standards of capital adequacy mandated by the banking industry. Bank regulators have established risk-based capital requirements designed to measure capital adequacy. Risk-based capital ratios reflect the relative risks of various assets banks hold in their portfolios. A weight category of 0% (lowest risk assets), 20%, 50%, or 100% (highest risk assets) is assigned to each asset on the balance sheet and to certain off-balance sheet commitments.

Liquidity and Interest Rate Sensitivity

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

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

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

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

Effects of Inflation on Financial Statements

Substantially all of the Corporation s assets relate to banking and are monetary in nature. Therefore, they are not impacted by inflation to the same degree as companies in capital-intensive industries in a replacement cost environment. During a period of rising prices, a net monetary asset position results in loss in purchasing power and conversely a net monetary liability position results in an increase in purchasing power. In the banking industry, typically monetary assets exceed monetary liabilities. Therefore, as prices have recently increased, financial institutions experienced a decline in the purchasing power of their net assets.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

There have been no material changes in the quantitative and qualitative information about market risk from the information provided in the December 31, 2008 Form 10-K.

ITEM 4T

CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures.

With the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the

Securities Exchange Act of 1934, as amended (the "Exchange Act")); as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that:

(a)

information required to be disclosed by the Corporation in this Quarterly Report on Form 10-Q would be accumulated and communicated to the Corporation s management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure;

(b)

information required to be disclosed by the Corporation in this Quarterly Report on Form 10-Q would be recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms; and

(c)

the Corporation s disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Corporation and its consolidated subsidiary is made known to them, particularly during the period for which our periodic reports, including this Quarterly Report on Form 10-Q, are being prepared.

Changes in Internal Control over Financial Reporting.

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

PART II Other Information

Item 1: Legal Proceedings.

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

Item 1A: Risk Factors

There have been no material changes in the discussion pertaining to risk factors that was provided in the December 31, 2008 Form 10-K.

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

The Corporation has not sold any of its securities which were not registered under the Securities Act during the period covered by this report. The table below includes certain information regarding the Corporation s purchase of United Bancshares, Inc. common stock during the quarterly period ended March 31, 2009:

Period	Total number of shares purchased	Average price paid per share	Total number shares purchased as part of a publicly announced plan or program	Maximum number of shares that may yet be purchased under the plan or program (a)
01/01/09 -				

01/31/09

None

None

302,058

97,942

02/01/09 -

02/28/09

None

None

302,058

97,942

03/01/09

03/31/09

None

None

302,058

97,942

(a) A stock repurchase program (Plan) was announced on July 29, 2005 (100,000 shares authorized) and expanded by 100,000 shares on December 23, 2005 and 200,000 shares on March 20, 2007. The Plan authorizes the Corporation to repurchase up to 400,000 of the Corporation s common shares from time to time in a program of market purchases or in privately negotiated transactions as the securities laws and market conditions permit.

Item 3: Defaults upon Senior Securities.

None

Item 4: Submission of Matters to a Vote of Security Holders.

None

Item 5: Other Information.

None

Item 6: Exhibits

(a) Exhibits

Exhibit 3(i) Amended and Restated Articles of Incorporation

Exhibit 3(ii) Amended and Restated Code of Regulations

Exhibit 10 Material Contracts

Exhibit 10.1 Employment Agreement Daniel W. Schutt

Exhibit 10.11 Salary Continuation Agreement Daniel W. Schutt

Exhibit 10.2 Agreement - Brian D. Young

Exhibit 10.3 Salary Continuation Agreement - Brian D. Young

Exhibit 10.4 Salary Continuation Agreement Heather M. Oatman

Exhibit 10.5 Salary Continuation Agreement, Second Amendment Daniel W. Schutt

Exhibit 10.6 Preferred Trust Securities, Placement and Debenture agreements

Exhibit 10.8 Salary Continuation Agreement, First Amendment Daniel W. Schutt

Exhibit 10.9 Salary Continuation Agreement, First Amendment Brian D. Young

Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification of CEO

Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification of CFO

Exhibit 32.1 Section 1350 CEO s Certification

Exhibit 32.2 Section 1350 CFO s Certification

Exhibit 99 Safe Harbor under The Private Securities Litigation Reform Act of 1995

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SIGNATURES

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

UNITED BANCSHARES, INC.

Date:	May 1, 2009	By:/s/ Brian D. Young
		Brian D. Young
		Chief Financial Officer

EXHIBIT INDEX

UNITED BANCSHARES, INC. QUARTERLY REPORT ON FORM 10-Q

FOR PERIOD ENDED MARCH 31, 2009

Exhibit Number	**Description**	**Exhibit Location**
3(i)	Amended and Restated Articles of Incorporation	Incorporated herein by reference to the Corporation's Definitive Proxy Statement pursuant to Section 14(a) filed March 8, 2002.
3(ii)	Amended and Restated Code of Regulations	Incorporated herein by reference to the Corporation s Form 10-Q for the quarter ended June 30, 2007.
10.1	Employment Agreement Daniel W. Schutt	Incorporated herein by reference to the Corporation's 2004 Form 10K/A filed August 5, 2005.
10.11	Salary Continuation Agreement Daniel W. Schutt	Incorporated by reference to Corporation's Form 10-K filed March 23, 2007.
10.2	Agreement - Brian D. Young	Incorporated by reference to Corporation's Form 8-K filed July 20, 2006.
10.3	Salary Continuation Agreement - Brian D. Young	Incorporated herein by reference to the Corporation's 2004 Form 10K/A filed August 5, 2005.
10.4	Salary Continuation Agreement Heather M. Oatman	Incorporated herein by reference to the Corporation's 2008 Form 10K filed March 20, 2009.
10.5	Salary Continuation Agreement Second Amendment Daniel W. Schutt	Incorporated herein by reference to the Corporation s 2007 Form 10Q filed April 27, 2007.
10.6	Preferred Trust Securities, Placement and Debenture agreements	Incorporated herein by reference to the Corporation s 2004 Form 10K/A filed August 5, 2005.
10.8	Salary Continuation Agreement, First Amendment Daniel W. Schutt	Incorporated herein by reference to the Corporation s 2007 Form 10Q filed April 27, 2007.
10.9		

	Salary Continuation Agreement, First Amendment Brian D. Young	Incorporated herein by reference to the Corporation s 2007 Form 10Q filed April 27, 2007.
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO	Filed herewith
32.1	Section 1350 CEO s Certification	Filed herewith
32.2	Section 1350 CFO s Certification	Filed herewith
99	Safe Harbor under the Private Securities Litigation Reform Act of 1995	Filed herewith