

UNITED BANCSHARES INC/OH  
Form 10-Q  
May 16, 2011

**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, 2011**

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 26, 2011:  
3,445,278

This document contains 38 pages. The Exhibit Index is on page 36 immediately preceding the filed exhibits.



**UNITED BANCSHARES, INC.**

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**PART 1 - FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS****United Bancshares, Inc. and Subsidiaries**

Consolidated Balance Sheets (Unaudited)

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and due from banks	\$ 6,437,273	\$ 8,253,990
Interest-bearing deposits in other banks	41,354,992	40,349,646
Federal funds sold	17,680	-
Total cash and cash equivalents	47,809,945	48,603,636
<b>SECURITIES</b> , available-for-sale	143,207,682	140,440,361
<b>FEDERAL HOME LOAN BANK STOCK</b> , at cost	4,893,800	4,893,800
<b>LOANS</b>	371,971,843	383,907,387
Less allowance for loan losses	(8,959,137)	(8,016,786)
Net loans	363,012,706	375,890,601
<b>PREMISES AND EQUIPMENT</b> , net	9,825,073	9,933,432
<b>GOODWILL</b>	8,554,979	8,554,979
<b>CASH SURRENDER VALUE OF LIFE INSURANCE</b>	13,003,618	12,894,671
<b>OTHER REAL ESTATE OWNED</b>	3,439,646	4,524,729
<b>OTHER ASSETS</b> , including accrued interest receivable and other intangible assets	6,672,059	6,880,346
<b>TOTAL ASSETS</b>	<b>\$ 600,419,508</b>	<b>\$ 612,616,555</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY****LIABILITIES**

## Deposits

Non-interest bearing	\$ 50,658,232	\$ 50,404,847
Interest bearing	431,024,175	438,245,779

Total deposits	481,682,407	488,650,626
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Other borrowings	49,451,123	55,777,834
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Junior subordinated deferrable interest debentures	10,300,000	10,300,000
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Accrued expenses and other liabilities	2,767,472	2,883,032
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Total liabilities	544,201,002	557,611,492
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**SHAREHOLDERS' EQUITY**

Common stock, \$1.00 stated value. Authorized 10,000,000 shares; issued 3,760,557 shares	3,760,557	3,760,557
Surplus	14,660,307	14,660,000
Retained earnings	40,366,786	39,600,718
Accumulated other comprehensive income	2,251,804	1,810,684
Treasury stock, 315,279 shares at March 31,2011 and 315,668 shares at December 31, 2010, at cost	(4,820,948)	(4,826,896)
Total shareholders' equity	56,218,506	55,005,063
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	 <b>\$ 600,419,508</b>	 <b>\$ 612,616,555</b>

See notes to consolidated financial statements



**United Bancshares, Inc. and Subsidiaries**  
Condensed Consolidated Statements of Income (Unaudited)

	Three months ended March 31,	
	<u>2011</u>	<u>2010</u>
<b>INTEREST INCOME</b>		
Loans, including fees	\$ 5,597,912	\$ 6,162,973
Securities:		
Taxable	879,896	1,043,520
Tax-exempt	487,679	495,075
Other	<u>17,848</u>	<u>10,194</u>
Total interest income	<u>6,983,335</u>	<u>7,711,762</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,356,135	1,693,173
Other borrowings	<u>534,211</u>	<u>795,626</u>
Total interest expense	<u>1,890,346</u>	<u>2,488,799</u>
<b>NET INTEREST INCOME</b>	5,092,988	5,222,963
<b>PROVISION FOR LOAN LOSSES</b>	<u>1,275,000</u>	<u>800,000</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	3,817,988	4,422,963
<b>NON-INTEREST INCOME</b>		
Gain on sales of loans	57,654	70,093
Gain on sales of securities	21,001	-
Change in fair value of mortgage servicing rights	14,625	(32,473)
Other	<u>647,189</u>	<u>692,709</u>
Total non-interest income	<u>740,469</u>	<u>730,329</u>
<b>NON-INTEREST EXPENSES</b>	<u>3,776,390</u>	<u>3,923,693</u>
Income before income taxes	782,068	1,229,599
<b>PROVISION FOR INCOME TAXES</b>	16,000	206,000
<b>NET INCOME</b>	\$ 766,068	\$ 1,023,599

**NET INCOME PER SHARE**

Basic	\$ 0.22	\$ 0.30
Weighted average common shares outstanding	3,445,252	3,444,514
Diluted	\$ 0.22	\$ 0.30
Weighted average common shares outstanding	3,445,252	3,444,514

See notes to consolidated financial statements

**United Bancshares, Inc. and Subsidiaries**  
Consolidated Statements of Shareholders' Equity (Unaudited)  
Three months ended March 31, 2011 and 2010

	<b>Common Stock</b>	<b>Surplus</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>
<b>BALANCE AT DECEMBER 31, 2010</b>	\$ 3,760,557	14,660,000	39,600,718	1,810,684
Net income			766,068	
Change in unrealized gain on available-for-sale securities, net of income taxes				441,120
Total comprehensive income				
389 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan		307		
<b>BALANCE AT MARCH 31, 2011</b>	\$ 3,760,557	14,660,307	40,366,786	2,251,804
<b>BALANCE AT DECEMBER 31, 2009</b>	\$ 3,760,557	14,659,661	38,343,134	2,359,821
Net income			1,023,599	
Change in unrealized loss on available-for-sale securities, net of income taxes				377,097
Total comprehensive income				
Dividends declared (\$0.15 per share)			(516,682)	
783 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan		179		
<b>BALANCE AT MARCH 31, 2010</b>	\$ 3,760,557	14,659,840	38,850,051	2,736,918

See notes to consolidated financial statements

**United Bancshares, Inc. and Subsidiaries**  
Condensed Consolidated Statement of Cash Flows (Unaudited)

	Three months ended March 31,	
	2011	2010
	\$	\$
<b>Cash flows provided by operating activities</b>	2,275,223	2,259,523
<b>Cash flows provided by investing activities:</b>		
Proceeds from calls or maturities of securities	8,382,887	6,719,137
Proceeds from sales of available-for-sale securities	738,625	-
Purchases of available-for-sale securities	(11,403,893)	(13,290,065)
Net decrease in loans	11,552,895	7,129,751
Cash received from branch acquisition	-	22,601,897
Proceeds from sale of other real estate owned	1,085,083	-
Expenditures for premises and equipment	(26,836)	(65,086)
Net cash provided by investing activities	10,328,761	23,095,634
<b>Cash flows provided by financing activities:</b>		
Net change in deposits	(7,077,219)	12,983,735
Long-term borrowings, net of repayments	(6,326,711)	(5,058,793)
Proceeds from issuance of common stock	6,255	12,152
Cash dividends paid	-	(516,682)
Net cash provided (used) by financing activities	(13,397,675)	7,420,412
<b>Net change in cash and cash equivalents</b>	(793,691)	32,775,569
Cash and cash equivalents:		
At beginning of period	48,603,636	27,379,889
	\$	\$
At end of period	47,809,945	60,155,458
Cash paid for:		
	\$	\$
Interest	1,863,014	2,411,475
	\$	\$
Income taxes	-	-

Non-cash investing activities:

Change in net unrealized gain on available-for-sale securities	\$ 689,365	\$ 571,358
Transfer of loans to other real estate owned	\$ 50,000	\$ 658,000

See notes to consolidated financial statements

**United Bancshares, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**March 31, 2011**

**NOTE 1 CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of United Bancshares, Inc. and subsidiaries (the Corporation ) have been prepared without audit and in the opinion of management reflect all adjustments (which include normal recurring adjustments) necessary to present fairly such information for the periods and dates indicated. Since the unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q, they do not contain all information and footnotes typically included in financial statements prepared in conformity with generally accepted accounting principles. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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, 2010.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, The Union Bank Company ( the Bank ). The Bank has formed a wholly-owned subsidiary, UBC Investments, Inc. ( UBC ), to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware. The Bank has also formed a wholly-owned subsidiary, UBC Property, Inc., to hold and manage certain property that was acquired in lieu of foreclosure. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies of the Corporation conform to generally accepted practices within the banking industry. The Corporation considers all of its principal activities to be banking related.

**NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS**

In July 2010, the FASB issued ASU 2010-20, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which increases disclosures made about the credit quality of loans and the allowance for credit losses. The disclosures provide additional information about the nature of credit risk inherent in the Bank's loans portfolio, how credit risk is analyzed and assessed, and the reasons for the change in the allowance for loan losses. The expanded disclosure requirements are included in Note 5 of the Corporation's December 31, 2010 consolidated financial statements, except for activity occurring during the period, which is required to be reported, and has been included, in this quarter ending March 31, 2011.

In April 2011, The Financial Accounting Standards Board (FASB) issued ASU 2011-02, *A Creditors Determination of whether a Restructuring Is a Troubled Debt Restructuring*. The new guidance clarifies when a loan modification or restructuring is considered a troubled debt restructuring (TDR) in order to address current diversity in practice and lead to more consistent application of accounting principles generally accepted in the United States of America. In evaluating whether a restructuring constitutes a TDR, a creditor must separately conclude that the restructuring constitutes a concession and the debtor is experiencing financial difficulties. Additionally, the guidance clarifies that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables (paragraph 470-60-55-10) when evaluating whether a restructuring constitutes a TDR. The Corporation has not yet evaluated whether the clarifications provided in ASU 2011-02 will change the amount of loan modifications or restructurings classified as TDR.

ASU 2011-01, *Deferral of the Effective Date of Disclosures about TDR in Update No. 2010-20*, deferred additional disclosures regarding TDR required by ASU 2010-20 until ASU 2011-02 was issued. For interim and annual periods ending after June 15, 2011 entities are required to enhance existing disclosures about the allowance for credit losses and the credit quality of financing receivables to include, at minimum, the nature and extent of a creditor's TDR and financing receivables modified as TDR within the previous 12 months that defaulted.



**United Bancshares, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**March 31, 2011**

In January 2010, FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, amending ASC Subtopic 820-10 to require disclosure of transfers in and out of levels 1 and 2 fair value measurement categories and activity in level 3 fair value measurement category. Additionally, the guidance amends existing disclosure requirements on level of disaggregation and inputs and valuation techniques. These disclosures are required for fiscal periods beginning after December 15, 2010, and for interim periods within those fiscal years Except for activity in level 3 fair value measurement category which is effective for annual and interim periods beginning after December 15, 2010. The Corporation has provided additional disclosure required by ASU 2010-06 in Note 4.

**NOTE 3 BRANCH ACQUISITION**

On November 30, 2009, the Bank entered into an agreement to purchase the Findlay, Ohio branch of The Home Savings and Loan Company of Youngstown, Ohio ( Seller ). Under the terms of the agreement, the Bank assumed all deposits and purchased the related branch premises and certain loans. The transaction was completed in March, 2010 with assets acquired and liabilities assumed being recorded at their estimated fair values as follows:

Assets acquired:

Cash, net of final settlement paid to seller	\$ 22,260,144
Loans	1,804,505
Bank premises	1,021,000
Goodwill	1,272,966
Core deposit intangible asset	286,000
	\$ 26,644,615

Deposits assumed	\$ 26,644,615
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Cash proceeds from the branch acquisition were used to fund \$10.0 million of brokered certificates of deposit and \$16.5 million of FHLB borrowings that matured during the second quarter of 2010.

The operating results of the branch subsequent to the acquisition are included in the Corporation's consolidated financial statements. The core deposit intangible asset is being amortized on a straight-line basis over a period of seven years.

## United Bancshares, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

March 31, 2011

**NOTE 4 - SECURITIES**

The amortized cost and fair value of available-for-sale securities as of March 31, 2011 and December 31, 2010 are as follows (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Amortized cost	Fair value	Amortized cost	Fair value
Obligations of states and				
political subdivisions	\$ 46,851	\$ 48,092	\$ 46,547	\$ 47,298
Mortgage-backed	92,443	94,607	90,648	92,633
Other	502	508	502	509
Total	\$ 139,796	\$ 143,207	\$ 137,697	\$ 140,440

A summary of gross unrealized gains and losses on available-for-sale securities March 31, 2011 and December 31, 2010 follows (dollars in thousands):

	March 31, 2011		December 31, 2010	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
Obligations of states and				
political subdivisions	\$ 1,335	\$ 94	\$ 989	\$ 238
Mortgage-backed	2,540	376	2,529	544

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Other	6	-	7	-
Total	\$ 3,881	\$ 470	\$ 3,525	\$ 782

## United Bancshares, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

March 31, 2011

## NOTE 5 LOANS

The following table presents the balance and activity in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of and for the period ending March 31, 2011:

	<u>Commercial</u>	<u>Commercial and multi-family real estate</u>	<u>Residential 1 4 family real estate</u>	<u>Consumer</u>	<u>Total</u>
Balance at December 31, 2010	\$ 2,886,467	\$ 3,915,323	\$ 886,879	\$ 328,117	\$ 8,016,786
Provision charged to expenses	796,447	289,208	204,210	(14,865)	1,275,000
Losses charged off	(39,729)	(199,663)	(93,712)	(41,358)	(374,462)
Recoveries	9,320	396	-	32,097	41,813
Balance at March 31, 2011	\$ 3,652,505	\$ 4,005,264	\$ 997,377	\$ 303,991	\$ 8,959,137
Allowance for loan losses:					
Attributable to loans individually evaluated for impairment	\$ 981,120	\$ 919,987	\$ -	\$ -	\$ 1,901,107
Collectively evaluated for impairment	2,671,385	3,085,277	997,377	303,991	7,058,030
Total allowance for loan losses	\$ 3,652,505	\$ 4,005,264	\$ 997,377	\$ 303,991	\$ 8,959,137
Loans:					
Individually evaluated for impairment	\$ 3,339,447	\$ 12,136,545	\$ 188,171	\$ 2,374	\$ 15,666,537
Collectively evaluated for impairment	70,530,940	211,207,447	67,356,447	7,210,472	356,305,306

Total ending loans balance \$ 73,870,387 \$ 223,343,992 \$ 67,544,618 \$ 7,212,846 \$ 371,971,843

Impaired loans were as follows as of March 31, 2011:

	<u>2011</u>
Loans with no allowance for loan losses allocated	\$ 8,616,421
Loans with allowance for loan losses allocated	7,050,116
Total impaired loans	\$ 15,666,537
Amount of the allowance allocated to impaired loans	\$ 1,901,107

**United Bancshares, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**March 31, 2011**

The following is a summary of the activity in the allowance for loan losses of impaired loans, which is a part of the Bank's overall allowance for loan losses for the quarter ended March 31, 2011:

	<u>2011</u>
Balance at beginning of period	\$
	691,780
Provision charged to operations	1,408,990
Loans charged-off	(199,663)
Balance at end of period	\$
	1,901,107

No additional funds are committed to be advanced in connection with impaired loans.

There was no interest income recognized by the Bank on impaired loans on an accrual or cash basis during the first quarter of 2011.

The following table presents loans individually evaluated for impairment by class of loans as of March 31, 2011:

	<u>Recorded investment</u>	<u>Allowance for loan losses allocated</u>
With no related allowance recorded:		
Commercial	\$ 58,320	\$ -
Commercial and multi-family		

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real estate	4,895,629	-
Agriculture	2,222,022	
Agricultural real estate	1,249,905	
Consumer	2,374	
Residential 1 - 4 family		
real estate	188,171	-
With an allowance recorded:		
Commercial	1,059,105	981,120
Commercial and multi-family		
real estate	5,991,011	919,987
Agriculture	-	-
Agricultural real estate	-	-
Consumer	-	-
Residential 1 - 4 family		
real estate	-	-
Total	\$ 15,666,537	\$ 1,901,107



**United Bancshares, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Unaudited)**

**March 31, 2011**

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of March 31, 2011:

	<u>Nonaccrual</u>	<u>Loans past due over 90 days still accruing</u>
Commercial	\$ 56,760	\$ -
Commercial real estate	9,150,898	-
Agriculture	1,925,792	-
Agricultural real estate	1,241,574	-
Consumer	2,873	15,471
Residential real estate	3,223,955	-
Total		