UNITED BANCSHARES INC/OH
Form 10-Q
October 27, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2006

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ____ Accelerated filer ____ Non-accelerated filer ___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 October 17, 2006: 3,595,049.

This document contains 29 pages. The Exhibit Index is on page 23 immediately preceding the filed exhibits.

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UNITED BANCSHARES, INC.

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PART 1 - FINANCIAL INFORMATION

ITEM 1

United Bancshares, Inc. and Subsidiary

Consolidated Balance Sheets (Unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 8,410,914	$ 8,968,880
Interest-bearing deposits in other banks	1,089,730	75,488
Federal funds sold	-	1,070,000
Total cash and cash equivalents	9,500,644	10,114,368
SECURITIES, available-for-sale	172,792,781	183,351,256
FEDERAL HOME LOAN BANK STOCK, at cost	4,633,100	4,439,600
LOANS HELD FOR SALE	430,038	440,432
LOANS	333,791,554	309,564,672
Allowance for loan losses	(2,336,730)	(2,540,301)
Net loans	331,454,824	307,024,371
PREMISES AND EQUIPMENT, net	6,024,650	6,198,467
GOODWILL	7,282,013	7,282,013
CASH SURRENDER VALUE OF LIFE INSURANCE	10,819,062	10,479,078
OTHER ASSETS, including accrued interest receivable and other intangible assets	7,902,381	6,879,087
TOTAL ASSETS	$ 550,839,493	$ 536,208,672

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES				
Deposits				
Non-interest bearing	$	33,858,435	$	34,628,941
Interest bearing		330,721,824		322,291,895
Total deposits		364,580,259		356,920,836
Federal Home Loan Bank borrowings		68,576,623		61,687,394
Securities sold under agreements to repurchase		59,053,249		59,000,000
Junior subordinated deferrable interest debentures		10,300,000		10,300,000
Accrued expenses and other liabilities		2,669,580		4,507,929
Total liabilities		505,179,711		492,416,159

SHAREHOLDERS' EQUITY				
Common stock, $1 stated value; 10,000,000 shares				
authorized in 2006 and 4,750,000 shares				
authorized in 2005; 3,760,557 shares issued		3,760,557		3,760,557
Surplus		14,659,661		14,651,596
Retained earnings		31,332,982		29,026,911
Accumulated other comprehensive loss		(1,543,933)		(1,521,648)
Treasury stock, 165,508 shares at September 30, 2006 and 139,108				
shares at December 31, 2005, at cost		(2,549,485)		(2,124,903)
Total shareholders' equity		45,659,782		43,792,513
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	550,839,493	$	536,208,672

See notes to consolidated financial statements

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United Bancshares, Inc. and Subsidiary

Condensed Consolidated Statements of Income (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
INTEREST INCOME				
Loans, including fees	$ 6,313,262	$ 5,417,581	$ 17,890,315	$ 15,553,221
Securities:				
Taxable	1,563,839	1,765,636	4,850,833	5,566,451
Tax-exempt	477,990	360,052	1,412,614	1,190,846
Other	15,401	28,580	29,431	76,362
Total interest income	8,370,492	7,571,849	24,183,193	22,386,880
INTEREST EXPENSE				
Deposits	2,404,069	1,611,740	6,504,667	4,621,860
Other borrowings	1,694,387	1,429,004	4,623,180	4,204,617
Total interest expense	4,098,456	3,040,744	11,127,847	8,826,477
NET INTEREST INCOME	4,272,036	4,531,105	13,055,346	13,560,403
PROVISION FOR LOAN LOSSES	-	187,075	140,000	512,075
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,272,036	4,344,030	12,915,346	13,048,328
NON-INTEREST INCOME				
Gain on sales of loans	104,011	93,331	244,651	288,424
Gain on sales of securities	(89)	-	(4,090)	120,183
Other	729,897	577,449	2,087,967	1,628,818
Total non-interest income	833,819	670,780	2,328,528	2,037,425
NON-INTEREST EXPENSES	3,454,309	3,558,974	10,559,119	10,713,995
Income before income taxes	1,651,546	1,455,836	4,684,755	4,371,758
PROVISION FOR INCOME TAXES	353,000	310,000	962,000	1,010,000
NET INCOME	$ 1,298,546	$ 1,145,836	$ 3,722,755	$ 3,361,758

	========	========	====	========
NET INCOME PER SHARE				
Basic	$ 0.36	$ 0.31	$ 1.03	$ 0.91
Weighted average common shares outstanding	3,597,739	3,659,729	3,604,085	3,690,825
Diluted:	$ 0.36	$ 0.31	$ 1.03	$ 0.91
Weighted average common shares outstanding	3,599,934	3,671,281	3,612,625	3,702,196

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Consolidated Statements of Shareholder's Equity (Unaudited)

Nine Months ended September 30, 2006 and 2005

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	
BALANCE AT DECEMBER 31, 2005	$ 3,760,557	$ 14,651,596	$ 29,026,911	$ (1,521,648)	$ (2,124,903)	$
Comprehensive income:						
Net income			3,722,755			
Change in unrealized loss on securities, net of tax				(22,285)		
Total comprehensive income						
Dividends declared ($0.39 per share)			(1,404,639)			
Exercise of Stock Options (9,802 shares)		8,065			150,559	
7,975 shares issued in connection with the Corporation s Employee Stock Purchase Plan			(12,045)		122,053	
Purchase of 44,177 common shares					(697,194)	
BALANCE AT SEPTEMBER 30, 2006	$ 3,760,557	14,659,661	31,332,982	(1,543,933)	(2,549,485)	$
	========	=======	=======	========	=======	

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	
BALANCE AT DECEMBER 31, 2004	$ 3,760,557	14,598,030	26,166,782	713,857	(1,010,039)	$
Comprehensive income:						
Net income			3,361,758			
Change in unrealized gain(loss)				(1,360,895)		

on securities, net of tax						
Total comprehensive income						
Dividends declared ($0.36 per share)			(1,325,519)			
Exercise of stock options (12,040 shares)		53,566			169,901	
9,809 shares issued in connection with the Corporation s Employee Stock Purchase Plan			(1,961)		138,419	
Purchase of 79,381 common shares					(1,271,684)	
BALANCE AT SEPTEMBER 30, 2005	$ 3,760,557	14,651,596	28,201,060	(647,038)	(1,973,403)	$
See notes to consolidated financial statements	========	=======	=======	========	=======	

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United Bancshares, Inc. and Subsidiary

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Nine months ended September 30,	
	2006	2005
Cash flows from operating activities	$ 3,122,504	$ 4,476,466
Cash flows from investing activities:		
Purchases of available-for-sale securities, net of proceeds from sales or maturities	8,596,673	27,024,577
Net increase in loans	(24,796,812)	(8,985,703)
Purchase of bank owned life insurance	-	(8,000,000)
Expenditures for premises and equipment	(227,368)	(118,539)
Net cash from investing activities	(16,427,507)	9,920,335
Cash flows from financing activities:		
Net change in deposits	7,740,626	(11,996,764)
Net change in Federal Home Loan Bank and other borrowings	6,942,478	(4,847,023)
Proceeds from issuance of common stock	110,008	-
Proceeds from the sale of treasury stock	-	136,458
Purchase of treasury stock	(697,194)	(1,271,684)
Cash dividends paid	(1,404,639)	(1,325,519)
Net cash from financing activities	12,691,279	(19,304,532)
Net change in cash and cash equivalents	(613,724)	(4,907,731)
Cash and cash equivalents:		
At beginning of period	10,114,368	14,571,949

At end of period	$	9,500,644	$	9,664,218
		=========		========
Cash paid during period:				
Interest	$	10,969,421	$	8,599,142
		========		========
Income taxes	$	945,000	$	585,000
		========		========

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2006

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 quarterly and nine month periods ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. 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, 2005.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, The Union Bank Company (Union). Significant inter-company 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 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 mature on March 26, 2033, which date may be shorten to March 26, 2008, if certain conditions are met, as well as quarterly thereafter. The interest rate of the debentures is fixed at 6.40% for a five-year period through March 2008. Thereafter, interest is at a floating rate adjustable quarterly and equal to 315 basis points over the 3-month LIBOR. 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 $480,000 for the nine-month periods ended September 30, 2006 and 2005 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 core tax Tier I capital under Federal Reserve Board guidelines inclusive of these securities.

NOTE 3 - Securities

The amortized cost and fair value of available-for-sale securities as of September 30, 2006 and December 31, 2005 are as follows (dollars in thousands):

	September 30, 2006		December 31, 2005	
	Amortized cost	Fair value	Amortized cost	Fair value
U.S. Treasury and agencies	$ 29,661	$ 29,039	$ 29,642	$ 28,877
Obligations of states and political subdivisions	45,904	46,598	42,190	42,357
Mortgage-backed	99,514	97,103	113,772	112,064
Other	53	53	53	53
Total	$ 175,132	$ 172,793	$ 185,657	$ 183,351
	========	=======	=======	=======

A summary of gross unrealized gains and losses on available-for-sale securities at September 30, 2006 and December 31, 2005 follows (dollars in thousands):

	September 30, 2006		December 31, 2005	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
U.S. Treasury and agencies	$ 0	$ 622	$ 0	$ 765
Obligations of states and political subdivisions	767	73	412	245

Mortgage-backed	16	2,427	38	1,746
Total	$783	$ 3,122	$ 450	$ 2,756
	========	=======	=======	=======

NOTE 4 - Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) and related tax effects are as follows for the nine-month periods ended September 30, 2006 and 2005 (dollars in thousands):

	2006	**2005**
Unrealized holding losses on available-for-sale securities	$ (37)	$ (1,942)
Reclassification adjustments for securities losses (gains) realized to income	4	(120)
Net unrealized losses	(33)	(2,062)
Tax effect	(11)	(701)
Net-of-tax amount	$ (22)	$ (1,361)
	=======	======

Note 5 - Commitments

Union has entered into a contract for the purchase of land in Bowling Green, Ohio for construction of a new banking center. The total cost of the contract is $750,000 of which Union has made a deposit of $20,000 at September 30, 2006. Union is expected to close on the contract during the fourth quarter of 2006. Additionally, Union has entered into various agreements regarding the construction of a new banking center in Columbus Grove, Ohio. The total cost of the agreements is expected to be approximately $480,000. It is anticipated that the project will be completed during the first quarter of 2007.

Note 6 - New Accounting Pronouncement

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets, an Amendment of FASB Statement 140" (Statement 156). Statement 156 amends Statement 140 with respect to separately recognized servicing assets and liabilities. Statement 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract and requires all servicing assets and liabilities to be initially measured at fair value, if practicable. Statement 156 also permits entities to subsequently measure servicing assets and liabilities using an amortization method or fair value measurement method. Under the amortization method, servicing assets and liabilities are amortized in proportion to and over the estimated period of servicing. Under the fair value measurement method, servicing assets are measured at fair value at each reporting date and changes in fair value are reported in net income for the period the change occurs.

Adoption of Statement 156 is required as of the beginning of fiscal years beginning subsequent to September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements.

The Corporation expects to adopt Statement 156 at the beginning of 2007 and has not yet determined how its servicing assets will be measured subsequent to acquisition.

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 September 30,		As of or for the Nine Months Ended September 30,	
	2006	2005	2006	2005
SIGNIFICANT RATIOS (Unaudited)				
Net income to:				
Average assets (a)	0.95%	0.84%	0.92%	0.81%
Average shareholders equity (a)	11.77%	10.26%	11.37%	10.12%
Net interest margin (a)	3.57%	3.72%	3.66%	3.64%
Efficiency ratio (b)	64.54%	66.06%	65.54%	66.09%
Average shareholders equity to average assets	8.07%	8.23%	8.07%	8.03%
Loans to deposits (end of period) (c)	91.67%	87.92%	91.67%	87.92%
Allowance for loan losses to loans (end of period) (d)	0.70%	0.83%	0.70%	0.83%
Cash dividends to net income	35.99%	38.03%	37.73%	39.43%
Book value per share	$ 12.70	$ 12.11	$ 12.70	$ 12.11

(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

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 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.

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.

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

RESULTS OF OPERATIONS

Overview of the Income Statement

For the quarter ended September 30, 2006, United Bancshares, Inc. reported net income of $1,299,000, or $0.36 basic earnings per share. This compares to third quarter 2005 net income of $1,146,000, or $0.31 basic earnings per share. Compared with the same period in 2005, third quarter 2006 net income increased $153,000 or 13.3%. The increase in net income for the quarter was the result of an increase in non-interest income of $163,000 and decreases in the provision for loan losses of $187,000 and non-interest expenses of $105,000, offset by a decrease of $259,000 in net interest income and an increase of $43,000 to the provision for income taxes.

Net income for the nine months ended September 30, 2006, totaled $3,723,000, or $1.03 basic earnings per share compared to net income of $3,362,000, or $0.91 basic earnings per share for the same period in 2005. Compared with the same period in 2005, net income for the nine-month period ended September 30, 2006 increased $361,000 or 10.7%. The increase in net income for the nine-month period was the result of an increase of $291,000 in non-interest income and decreases in the provision for loan losses of $372,000, non-interest expenses of $155,000 and the provision for income taxes of $48,000, offset by a decrease in net interest income of $505,000.

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 $4,272,000 for the third quarter of 2006 compared to $4,531,000 for the same period of 2005, a $259,000 decrease. Net interest income was $13,055,000 for the first nine months of 2006 compared to $13,560,000 for the same period of 2005, a decrease of $505,000. Net interest income for the nine-month period ended September 30, 2006 was reduced due to a decrease in average net interest-earning assets for the comparable period.

Net interest margin is calculated by dividing net interest income (adjusted to reflect tax-exempt municipal income on a taxable equivalent basis) by average interest-earning assets. The resultant percentage serves as a measurement for the Corporation in comparing its results with those of past periods as well as those of peer companies. For the three and nine month periods ended September 30, 2006, the net interest margin (on a tax equivalent basis) was 3.57% and 3.66% respectively, compared with 3.72% and 3.64% for the same periods of 2005. Management believes that this decrease was primarily the result of continued pressures created by an inverted treasury yield curve. Management has been able to minimize the Corporation s margin compression through the ongoing transfer of assets from the

Corporation s investment portfolio to the Corporation s higher yielding loan portfolio along with continuing disciplined pricing decisions on the Corporation s controllable interest-bearing assets and liabilities.

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Provision for Loan Losses

The provision for loan losses is determined based upon management s continuing calculation of the allowance for loan losses and is reflective of the quality of management s assessment of the portfolio and overall management of the inherent credit risk. Changes in the provision for loan losses are dependent, among other things, on loan delinquencies, portfolio risk, and general economic conditions in the Corporation s markets. As a result of management s analysis no provision for loan losses was made for the third quarter of 2006, and a $140,000 provision was made for the nine months ended September 30, 2006, compared to provisions for loan losses of $187,000 for the three month and $512,000 for the nine month periods ended September 30, 2005. 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 and servicing of fixed rate mortgages, sales of security investments, customer deposit account fees, and income arising from sales of products, such as investments to customers. The income related to deposit accounts provides a relatively steady flow of income while the other sources are more volatile and can vary from quarter to quarter.

Gain on sales of loans amounted to $104,000 for the quarter ended September 30, 2006 compared to $93,000 for the comparable 2005 period, an increase of $11,000 (11.8%). Such gains included capitalized servicing rights of $54,000 and $59,000, respectively, on $6.2 million and $6.9 million originated loan sales during the respective quarters. The balance of the gain on sales of loans was cash gains and the mark to market adjustment of the Corporation s available for sale loan portfolio.

Gain on sales of loans amounted to $245,000 for the nine-month period ended September 30, 2006 compared to $288,000 for the comparable 2005 period, a decrease of $43,000 (14.9%). Such gains included capitalized servicing rights of $149,000 and $201,000 on $15.2 million and $18.3 million originated loan sales during the respective periods. The balance of the gain on sales of loans represented cash gains. Additionally, during the nine-month period ended September 30, 2006, the Corporation realized a net loss on the sale of securities of $4,000, compared to a net gain of $120,000 for the same period in 2005.

Other non-interest income increased principally due to the increase in income from Bank Owned Life Insurance (BOLI), which was $109,000 and $340,000, respectively, for the quarter and nine-month periods ended September 30, 2006, compared to $119,000 and $152,000, respectively, for the same periods in 2005.

Non-Interest Expenses

For the quarter ended September 30, 2006, non-interest expenses totaled $3,454,000 compared to $3,559,000 for the comparable period of 2005, a decrease of $105,000 (2.9%). For the nine-month period ended September 30, 2006, non-interest expenses totaled $10,559,000 compared to $10,714,000 for the comparable period of 2005, a decrease of $155,000 (1.4%).

The operating results for the three and nine month periods included an adjustment to the provision for stock options based on the Corporation s closing stock price as of September 30, 2006. As a result of this adjustment, non-interest expenses increased $11,000 for the three-month period and decreased $13,000 for the nine-month period, each ended September 30, 2006, and increased $45,000 for the three-month period and decreased $39,000 for the nine-month period, each ended September 30, 2005. Management believes that the Corporation s non-interest expenses are acceptable, considering the increases in the costs of conducting business and the costs associated with various additional regulatory compliance, including compliance efforts regarding Section 404 of the Sarbanes-Oxley Act of 2002. 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. Such strategies have led to the containment or reduction of non-interest expenses for the three and nine month periods ending September 30, 2006 compared to the same periods in 2005.

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 September 30, 2006, the Corporation s efficiency ratio was 64.54% compared to 66.06% for the same period of 2005. The Corporation s efficiency ratio improved as a result of the aforementioned reduction in non-interest expenses and an increase in non-interest income offset by a reduction in net interest income. For the nine-month period ended September 30, 2006, the Corporation s efficiency ratio was 65.54% compared to 66.09% for the same period of 2005. The 2006 year-to-date improvement compared to 2005 was also the result of the aforementioned factors.

Provision for Income Taxes

The provision for income taxes for the quarter ended September 30, 2006 was $353,000 or 21.4% of income before income taxes, compared to $310,000 or 21.3% for the comparable 2005 period. The provision for income taxes for the nine-month period ended September 30, 2006 was $962,000, or 20.5% of income before income taxes, compared to $1,010,000, or 23.1%, for the comparable 2005 period. The decrease in the effective tax rate for the nine-month period in 2006, as compared to 2005, was largely attributable to the increase in tax-exempt income from securities and bank-owned life insurance.

Return on Assets

Return on average assets was 0.95% for the third quarter of 2006, compared to 0.84% for the comparable quarter of 2005. Return on average assets for the nine months ended September 30, 2006 was 0.92% compared to 0.81% for the same period in 2005. Such increases reflect the increase in 2006 net earnings as compared to 2005.

Return on Equity

Return on average shareholders equity for the third quarter of 2006 was 11.77% compared to 10.26% for the same period of 2005. Return on average equity for the nine months ended September 30, 2006 was 11.37% compared to 10.12% for the same period in 2005. The Corporation and Union met all regulatory capital requirements 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 $550.8 million at September 30, 2006, compared to $536.2 million at December 31, 2005, an increase of $14.6 million, or 2.7%. Loans at September 30, 2006, net of the allowance for loan losses, increased $24.4 million (8.0%) from December 31, 2005. Securities available-for-sale decreased $10.6 million (5.8%) during this nine-month period. Deposits during this same period increased $7.7 million (2.2%). Federal Home Loan Bank borrowings increased $6.9 million (11.2%) during the nine-month period.

Shareholders equity increased from $43.8 million at December 31, 2005 to $45.7 million at September 30, 2006. This increase was primarily the result of net income ($3.7 million), the exercise of stock options ($159,000) and the sale of 7,975 treasury shares ($110,000) under the Corporation s Employee Stock Purchase Plan offset by the repurchase of 44,177 common shares ($697,000) and the payment of dividends ($1,405,000).

Cash and Cash Equivalents

Cash and cash equivalents totaled $9.5 million at September 30, 2006 compared to $10.1 million at December 31, 2005 (December 31, 2005 includes Federal funds sold of $1.1 million).

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 September 30, 2006, securities totaled $172.8 million, a decrease of $10.6 million from December 31, 2005. All of the Corporation s securities are classified as available-for-sale. The decrease in available-for-sale securities was the result of management s decision to take the portfolio s cash flows and use those cash flows to fund loan growth. Management believes classifying securities as available-for-sale provides the Corporation flexibility and facilitates greater interest rate risk management opportunities.

At September 30, 2006, the amortized cost of the Corporation s available-for-sale securities totaled $175.1 million, resulting in net unrealized losses of approximately $2.3 million and a corresponding after tax decrease in shareholders equity of $1.5 million. The Corporation s unrealized securities losses were primarily the result of customary and expected changes in the bond market. At the present, the Corporation has both the ability and intent to hold securities in a loss position until such time as market conditions change or the respective securities mature. Consequently, such losses are considered to be temporary and have not been reflected in the Corporation s earnings results. The unrealized losses on securities is reported as accumulated other comprehensive loss in the consolidated balance sheets.

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

Loans

The Corporation s lending is primarily centered in northwestern and west central Ohio. Gross loans (including loans held for sale) totaled $334.2 million at September 30, 2006 compared to $310.0 million at December 31, 2005, an increase of $24.2 million (7.8%). The increase in loan balances is primarily the result of loan growth in agricultural and commercial sectors, as well as, participations with other local institutions.

Allowance for Loan Losses

The allowance for loan losses as a percentage of loans (excluding loans held for sale) was 0.70% at September 30, 2006 compared to 0.83% at December 31, 2005. The decrease in the allowance for loan losses, as a percent of total loans, is largely attributable to improvement in the credit quality of certain large classified credits. Management believes the level of allowance is adequate given the composition of and risk inherent in the loan portfolio of Union. Throughout 2006, 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 nine months ended September 30, 2006 and 2005, respectively:

	(dollars in thousands)	
	2006	2005
Balance, beginning of period	$2,540	$2,768
Charge offs	(519)	(730)
Recoveries	176	140
Net charge offs	(343)	(590)

Transfer (a)	-	(64)
Provision for loan losses	140	512
Balance, end of period	$2,337	$2,616
	=====	=====

(a) Amount of provision allocated to other liabilities for unfunded commitments.

Loans on non-accrual status as a percentage of outstanding loans was 0.86% at September 30, 2006, compared to 0.67% at December 31, 2005. Non-accrual loans totaled $2,858,000 and $2,060,000 at September 30, 2006 and December 31, 2005, respectively. Management believes the current level of non-accrual loans is manageable and is a reflection of the quality of Union s loan portfolio as well as the adequacy of staffing levels devoted to monitoring and pursuing the collection of these credits. The $798,000 increase in non-accrual loans since December 31, 2005, did not have a significant impact on the Corporation s Allowance for Loan Losses, because the aforementioned loans were primarily well secured or were already accounted for in the Corporation s Allowance for Loan Losses. Any increase that was realized through the increase in non-accrual loans were offset by improvements in the Corporation s overall asset quality.

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. Traditional deposits continue to be the most significant source of funds for the Corporation, totaling $364.6 million, or 72.6% of the Corporation s funding sources at September 30, 2006.

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 9.3% of total deposits at September 30, 2006.

In addition to traditional deposits, the Corporation maintains both short-term and long-term borrowing arrangements. These borrowings consisted of FHLB borrowings totaling $68.6 million and $61.7 million at September 30, 2006 and December 31, 2005, respectively, and repurchase agreements totaling $59.1 million and $59.0 million at September 30, 2006 and December 31, 2005, respectively. Management plans to maintain access to various borrowing alternatives as an appropriate funding source.

Shareholders Equity

For the nine month period ended September 30, 2006, the Corporation had net income of $3,723,000 from traditional operations and dividends of $1,405,000 resulting in a dividend payout ratio of 37.7% of net income. Management believes the overall equity level supports this payout ratio. During the nine month period ended September 30, 2006 and 2005, the Corporation transferred 7,975 and 9,809 shares, respectively of treasury stock to participants of the Corporation s Employee Stock Purchase Plan. In addition, during the nine month period ended September 30, 2006, the Corporation purchased 44,177 shares through its share repurchase program.

The increase in net unrealized loss on available-for-sale securities, net of income taxes, was $22,000 for the nine month period ended September 30, 2006. Since all 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, 2005 Form 10-K.

ITEM 4

CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures.

With the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")); as of the end of the period covered by this Quarterly Report on Form 10-Q. Based 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, 2005 Form 10-K.

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

The table below includes certain information regarding the Corporation s purchase of United Bancshares, Inc. common stock during the quarterly period ended September 30, 2006:

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

07/1/06 -

07/31/06

10,000

15.75

123,731

76,269

08/01/06 -

08/31/06

9,827

16.10

133,558

66,442

09/1/06

09/30/06

None

None

None

66,442

(a) A stock repurchase program (Plan) was announced on July 29, 2005 and expanded on December 23, 2005. The Plan authorizes the Corporation to repurchase up to 200,000 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) Regulations

Exhibit 10.1 Employment Agreement Daniel W. Schutt

Exhibit 10.2 Agreement - Brian D. Young

Exhibit 10.3 Salary Continuation Agreement - Brian D. Young

Exhibit 10.4 Executive Supplemental Income Agreement - Bonita Selhorst

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 99.1 Safe Harbor under The Private Securities Litigation Reform Act of 1995

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: October 27, 2006	By: /s/ Brian D. Young
	Brian D. Young
	Chief Financial Officer

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EXHIBIT INDEX

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

FOR PERIOD ENDED SEPTEMBER 30, 2006

Exhibit Number	**Description**	**Exhibit Location**
3(i)	Amended and Restated Articles of Incorporation	Incorporated by reference to Corporation's Form 10-Q for the quarter ended June 30, 2006
3(ii)	Regulations	Incorporated by reference to Corporation's Definitive Proxy Statement filed March 8, 2002
10.1	Employment Agreement Daniel W. Schutt	Incorporated herein by reference to the Corporation's 2004 Form 10K/A filed August 5, 2005.
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	Executive Supplemental Income Agreement - Bonita Selhorst	Incorporated herein by reference to the Corporation's 2004 Form 10K/A filed August 5, 2005.
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
99.1	Safe Harbor under the Private Securities Litigation Reform Act of 1995	Filed herewith

Exhibit 31.1

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

I, Daniel W. Schutt, President and Chief Executive Officer of United Bancshares, Inc., certify, that:

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

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

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

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

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

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

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

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

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

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

/s/ Daniel W. Schutt

Daniel W. Schutt

President and Chief Executive Officer

October 27, 2006

Exhibit 31.2

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

I, Brian D. Young, Chief Financial Officer of United Bancshares, Inc., certify, that:

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

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

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

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

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

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

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

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

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

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

/s/ Brian D. Young

Brian D. Young

Chief Financial Officer

October 27, 2006

Exhibit 32.1

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of United Bancshares, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel W. Schutt, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel W. Schutt

Daniel W. Schutt

Chief Executive Officer

Date: October 27, 2006

*This certification is being furnished as required by Rule 13a 14(b) under the Securities Exchange Act of 1934 (the Exchange Act) and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Exhibit 32.2

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of United Bancshares, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian D. Young

Brian D. Young

Chief Financial Officer

Date: October 27, 2006

*This certification is being furnished as required by Rule 13a 14(b) under the Securities Exchange Act of 1934 (the Exchange Act) and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Exhibit 99.1

SAFE HARBOR UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. United Bancshares, Inc. ("Corporation") desires to take advantage of the "safe harbor" provisions of the Act. Certain information, particularly information regarding future economic performance and finances and plans and objectives of management, contained or incorporated by reference in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, is forward-looking. In some cases, information regarding certain important factors that could cause actual results of operations or outcomes of other events to differ materially from any such forward-looking statement appears together with such statement. In addition, forward-looking statements are subject to other risks and uncertainties affecting the financial institutions industry, including, but not limited to, the following:

Interest Rate Risk

The Corporation s operating results are dependent to a significant degree on its net interest income, which is the difference between interest income from loans, investments and other interest-earning assets and interest expense on deposits, borrowings and other interest-bearing liabilities. The interest income and interest expense of the Corporation change as the interest rates on interest-earning assets and interest-bearing liabilities change. Interest rates may change because of general economic conditions, the policies of various regulatory authorities and other factors beyond the Corporation's control. In a rising interest rate environment, loans tend to prepay slowly and new loans at higher rates increase slowly, while interest paid on deposits increases rapidly because the terms to maturity of deposits tend to be shorter than the terms to maturity or prepayment of loans. Such differences in the adjustment of interest rates on assets and liabilities may negatively affect the Corporation's income.

Possible Inadequacy of the Allowance for Loan Losses

The Corporation maintains an allowance for loan losses based upon a number of relevant factors, including, but not limited to, trends in the level of non-performing assets and classified loans, current economic conditions in the primary lending area, past loss experience, possible losses arising from specific problem loans and changes in the composition of the loan portfolio. While the Board of Directors of the Corporation believe that it uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in material adjustments, and net earnings could be significantly adversely affected if circumstances differ substantially from the assumptions used in making the final determination.

Loans not secured by one to four family residential real estate are generally considered to involve greater risk of loss than loans secured by one- to four-family residential real estate due, in part, to the effects of general economic conditions. The repayment of multifamily residential, nonresidential real estate and commercial loans generally depends upon the cash flow from the operation of the property or business, which may be negatively affected by national and local economic conditions. Construction loans may also be negatively affected by such economic conditions, particularly loans made to developers who do not have a buyer for a property before the loan is made. The risk of default on consumer loans increases during periods of recession, high unemployment and other adverse economic conditions. When consumers have trouble paying their bills, they are more likely to pay mortgage loans than consumer loans. In addition, the collateral securing such loans, if any, may decrease in value more rapidly than the outstanding balance of the loan.

Competition

The Corporation competes for deposits with other savings associations, commercial banks and credit unions and issuers of commercial paper and other securities, such as shares in money market mutual funds. The primary factors in competing for deposits are interest rates and convenience of office location. In making loans, the Corporation competes with other commercial banks, savings associations, consumer finance companies, credit unions, leasing companies, mortgage companies and other lenders. Competition is affected by, among other things, the general availability of lendable funds, general and local economic conditions, current interest rate levels and other factors that are not readily predictable. The size of financial institutions competing with the Corporation are likely to increase as a result of changes in statutes and regulations eliminating various restrictions on interstate and inter-industry branching and acquisitions. Such increased competition may have an adverse effect upon the Corporation.

Legislation and Regulation that may Adversely Affect the Corporation's Earnings

The Corporation is subject to extensive regulation by the State of Ohio, Division of Financial Institutions (the ODFI), the Federal Reserve Bank (the FED), and the Federal Deposit Insurance Corporation (the "FDIC") and is periodically examined by such regulatory agencies to test compliance with various regulatory requirements. Such supervision and regulation of the Corporation and the bank are intended primarily for the protection of depositors and not for the maximization of shareholder value and may affect the ability of the Corporation to engage in various business activities. The assessments, filing fees and other costs associated with reports, examinations and other regulatory matters are significant and may have an adverse effect on the Corporation's net earnings.