Section 1: 10-K (FORM 10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934, as amended

For the fiscal year ended December 31, 2008

Commission File No.: 000-29283

UNITED BANCSHARES, INC.
(exact name of registrant as specified in its charter)

OHIO	**34-1516518**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

100 S. High Street, Columbus Grove, Ohio 45830
(Address of principal executive offices)

Registrant's telephone number, including area code: **(419) 659-2141**
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, no par value – NASDAQ Global Markets
(Title of class)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ____ No __X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ____ No _X__

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 ___

Indicated by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ___.

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 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

The aggregate market value of the voting stock held by non-affiliates of the registrant, was $40,155,868, based upon the last sales price as quoted on the Nasdaq National Market as of June 30, 2008.

The number of shares of Common Stock outstanding as of February 20, 2009: 3,442,779.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2008 are incorporated by reference into Part II. Portions of the Proxy Statement dated March 20, 2009 for the 2009 Annual Meeting of Shareholders to be held on April 22, 2009 are incorporated by reference into Part III.

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PART I

Item 1. Business

General

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. As of December 31, 2008, the Corporation employed approximately 150 employees. On March 7, 2003, following the receipt of approval from the appropriate regulatory authorities, the Corporation collapsed the charters of Citizens Bank of Delphos and the Bank of Leipsic and merged them into the charter of The Union Bank Company (the "Bank"). Following the merger of the Corporation's other two bank subsidiaries into The Union Bank Company; the Corporation is now a one-bank holding company, as that term is defined by the Federal Reserve Board.

United Bancshares, Inc. has traded its common stock on the Nasdaq Markets Exchange under the symbol "UBOH" since March 2001.

The Corporation is registered as a Securities Exchange Act of 1934 (the "1934 Act") reporting company.

Forward Looking Statements

Certain matters disclosed herein may be deemed to be forward-looking statements that involve risks and uncertainties, including regulatory policy changes, interest rate fluctuations, loan demand, loan delinquencies and losses, general economic conditions, and other risks. Forward-looking statements are often characterized by the use of qualifying words and their derivatives such as "expects," "anticipates," "believes," "estimates," "plans," "projects," and other words and statements concerning opinions or judgments of the Corporation and its management about future events. Actual strategies and results in future time periods may differ materially from those currently expected. Such forward-looking statements represent management's judgment as of the current date. The Corporation disclaims, however, any intent or obligation to update such forward-looking statements.

General Description of Bank Subsidiary

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

The Bank 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 and home equity loans; safe deposit box rentals; and other personalized banking services.

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. Primary factors in competing for deposits include customer service, 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 number of financial institutions competing with the Corporation is 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.

Effect of Environmental Regulation

Compliance with federal, state and local provisions regulating the discharge of material into the environment, or otherwise relating to the protection of the environment, have not had a material effect upon the capital expenditures, earnings or competitive position of the Corporation and its subsidiary. The Corporation believes that the nature of the operations of its subsidiary has little, if any, environmental impact. The Corporation, therefore, anticipates no material capital expenditures for environmental control facilities for its current fiscal year or for the foreseeable future. The Corporation’s subsidiary may be required to make capital expenditures for environmental control facilities related to properties, which they may acquire through foreclosure proceedings in the future; however, the amount of such capital expenditures, if any, is not currently determinable.

Supervision and Regulation

Sarbanes-Oxley Act of 2002 - On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the “SOA”). The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties within publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

The SOA is the most far-reaching U.S. securities legislation enacted in some time. The SOA generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934.

The SOA includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of certain issues by the SEC and the Comptroller General. The SOA represents significant federal involvement in matters traditionally left to state regulatory systems, including the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

The SOA addresses, among other matters:

* audit committees for all reporting companies;
* certification of financial statements by the chief executive officer and the chief financial officer;
* the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement;
* a prohibition on certain insider trading during pension plan black out periods;
* disclosure of off-balance sheet transactions;
* a prohibition on personal loans to directors and officers;
* expedited filing requirements for Forms 4;
* disclosure of a code of ethics and filing a Form 8-K for a change or waiver of such code;
* "real time" filing of periodic reports;
* the formation of a public company accounting oversight board;
* auditor independence; and
* various increased criminal penalties for violations of securities laws.

Other Statutes and Regulations

The following is a summary of certain other statutes and regulations affecting the Corporation and its subsidiary. This summary is qualified in its entirety by reference to such statutes and regulations.

The Corporation is a bank holding company under the Bank Holding Company Act of 1956, as amended, which restricts the activities of the Corporation and the acquisition by the Corporation of voting shares or assets of any bank, savings association or other company. The Corporation is also subject to the reporting requirements of, and examination and regulation by, the Federal Reserve Board. Subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on transactions with affiliates, including any loans or extensions of credit to the bank holding company or any of its subsidiaries, investments in the stock or other securities thereof and the taking of such stock or securities as collateral for loans or extensions of credit to any borrower; the issuance of guarantees, acceptances or letters of credit on behalf of the bank holding company and its subsidiary; purchases or sales of securities or other assets; and the payment of money or furnishing of services to the bank holding company and other subsidiaries. Bank holding companies are prohibited from acquiring direct or indirect control of more than 5% of any class of voting stock or substantially all of the assets of any bank holding company without the prior approval of the Federal Reserve Board. A bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit and/or the provision of other property or services to a customer by the bank holding company or its subsidiaries.

As an Ohio state-chartered bank, the Bank is supervised and regulated by the Ohio Division of Financial Institutions and the Federal Deposit Insurance Corporation ("FDIC"). The deposits of the Bank are insured by the FDIC and the Bank is subject to the applicable provisions of the Federal Deposit Insurance Act. A subsidiary of a bank holding company can be liable to reimburse the FDIC if the FDIC incurs or anticipates a loss because of a default of another FDIC-insured subsidiary of the bank holding company or in connection with FDIC assistance provided to such subsidiary in danger of default. In addition, the holding company of any insured financial institution that submits a capital plan under the federal banking agencies' regulations on prompt corrective action guarantees a portion of the institution's capital shortfall, as discussed below.

Various requirements and restrictions under the laws of the United States and the State of Ohio affect the operations of the Bank, including requirements to maintain reserves against deposits, restrictions on the nature and amount of loans which may be made and the interest that may be charged thereon, restrictions relating to investments and other activities, limitations on credit exposure to correspondent banks, limitations on activities based on capital and surplus, limitations on payment of dividends, and limitations on branching.

The Federal Reserve Board has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines include both a definition and a framework for calculating risk weighted assets by assigning assets and off-balance sheet items to broad risk categories. The minimum ratio of total capital to risk weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8%. At least 4% is to be comprised of common Shareholders' equity (including retained earnings but excluding treasury stock), noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock, and minority interest in equity accounts of consolidated subsidiaries, less goodwill and certain other intangible assets ("Tier 1 capital"). The remainder ("Tier 2 capital") may consist, among other things, of mandatory convertible debt securities, a limited amount of subordinated debt, other preferred stock and a limited amount of allowance for loan losses. The Federal Reserve Board also imposes a minimum leverage ratio (Tier 1 capital to total assets) of 3% for bank holding companies and state member banks that meet certain specified conditions, including having the highest regulatory rating. The minimum leverage ratio is 1%-2% higher for other bank holding companies and state member banks based on their particular circumstances and risk profiles and for those banks experiencing or anticipating significant growth. State non-member bank subsidiaries, such as the Bank are subject to similar capital requirements adopted by the FDIC.

The Corporation and its subsidiary currently satisfy all capital requirements. Failure to meet applicable capital guidelines could subject a banking institution to a variety of enforcement remedies available to federal and state regulatory authorities, including the termination of deposit insurance by the FDIC. The junior subordinated deferrable interest debentures issued in 2003, as described in Note 11 to the consolidated financial statements contained in the Corporation's Annual Report, currently qualify as Tier I capital for regulatory purposes. However, it is possible that regulations could change so that such securities do not qualify.

The federal banking regulators have established regulations governing prompt corrective action to resolve capital deficient banks. Under these regulations, institutions, which become undercapitalized, become subject to mandatory regulatory scrutiny and limitations that increase as capital decreases. Such institutions are also required to file capital plans with their primary federal regulator, and their holding companies must guarantee the capital shortfall up to 5% of the assets of the capital deficient institution at the time it becomes undercapitalized.

The ability of a bank holding company to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by its subsidiary bank and other subsidiaries. However, the Federal Reserve Board expects the Corporation to serve as a source of strength to its subsidiary bank, which may require it to retain capital for further investment in the subsidiary, rather than for dividends for shareholders of the Corporation. The Bank may not pay dividends to the Corporation if, after paying such dividends, it would fail to meet the required minimum levels under the risk-based capital guidelines and the minimum leverage ratio requirements. The Bank must have the approval of its regulatory authorities if a dividend in any year would cause the total dividends for that year to exceed the sum of the current year's net income and the retained net income for the preceding two years, less required transfers to surplus. Payment of dividends by a bank subsidiary may be restricted at any time at the discretion of the regulatory authorities, if they deem such dividends to

constitute an unsafe and/or unsound banking practice. These provisions could have the effect of limiting the Corporation's ability to pay dividends on its outstanding common shares.

Deposit Insurance Assessments and Recent Legislation

The Federal Deposit Insurance Reform Act of 2005 and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (collectively, the "Deposit Insurance Reform Acts") were both signed into law during February, 2006. The provisions of the Deposit Insurance Reform Acts included, among other things, merging the Bank Insurance Fund and the Savings Association Insurance Fund into a new fund called the Deposit Insurance Fund, which merger was effective March 31, 2006; increasing insurance coverage for retirement accounts from $100,000 to $250,000, effective April 1, 2006; adjusting deposit insurance levels of $100,000 for non-retirement accounts and $250,000 for retirement accounts every five years based on an inflation index, with the first adjustment to be effective on January 1, 2011; eliminating a 1.25% hard target Designated Reserve Ratio, as defined, and giving the FDIC discretion to set the Designated Reserve Ratio within a range of 1.15% to 1.50% for any given year; eliminating certain restrictions on premium rates the FDIC charges covered institutions and establishing a risk-based premium system; and providing for a one-time credit for institutions that paid premiums to the Bank Insurance Fund or the Savings Association Insurance Fund prior to December 31, 1996.

On October 3, 2008, the FDIC temporarily increased the deposit insurance standard coverage limit from $100,000 to $250,000 per depositor. The standard coverage limit will return to $100,000 for all deposit categories except IRAs and certain retirement accounts on January 1, 2010. Unlimited deposit insurance coverage is also available through December 31, 2009, for non-interest bearing transaction accounts. Under the Final Rule, the definition of noninterest-bearing transaction accounts includes Interest on Lawyers Trust Accounts (and functionally equivalent accounts) and low-interest NOW accounts (defined as NOW accounts with interest rates no higher than 0.50 percent).

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. Management expects that the special assessment and the changes in the premium calculation will significantly increase the Corporation's FDIC insurance expense in 2009 and possibly thereafter.

Monetary Policy and Economic Conditions

The commercial banking business is affected not only by general economic conditions, but also by the policies of various governmental regulatory authorities, including the Federal Reserve Board. The Federal Reserve Board regulates money and credit conditions and interest rates in order to influence general economic conditions primarily through open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These policies and regulations significantly affect the overall growth and distribution of bank loans, investments and deposits, and the interest rates charged on loans as well as the interest rates paid on deposits and accounts.

The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of commercial banks in the past and are expected to continue to have significant effects in the future. In view of the changing conditions in the economy and the money market and the activities of monetary and fiscal authorities, no definitive predictions can be made as to future changes in interest rates, credit availability or deposit level.

Statistical Financial Information Regarding the Corporation

The following schedules and table analyze certain elements of the consolidated balance sheets and statements of income of the Corporation and its subsidiary, as required under Securities Act Industry Guide 3 promulgated by the Securities and Exchange Commission, and should be read in conjunction with the narrative analysis presented in ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION and the Consolidated Financial Statements of the Corporation, both of which are included in the 2008 Annual Report attached hereto as Exhibit 13.

Available Information

The Corporation files various reports with the SEC, including Forms 10-Q, 10-K, 11-K and 8-K as required. The public may read and copy any filed materials with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information that the Corporation electronically files with the SEC.

Various information on the Corporation may also be obtained from the Corporation's maintained website at http://www.theubank.com.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

A. The following are the average balance sheets for the years ended December 31:

ASSETS	2008	2007	2006
	(dollars in thousands)		
Interest-earning assets			
Securities available-for-sale (1)			
Taxable	$87,800	$111,472	$134, 876
Non-taxable	45,616	44,301	45,696
Interest bearing deposits	21,456	3,741	745
Federal funds sold	6,656	4,368	277
Loans (2)	400,823	345,532	323,802
Total interest-earning assets	562,351	509,414	505,396
Non-interest-earning assets			
Cash and due from banks	6,863	7,903	8,589
Premises and equipment, net	7,870	7,211	6,109
Accrued interest receivable and other assets	26,235	27,365	25,601
Allowance for loan losses	(2,570)	(2,199)	(2,448)
	$600,749	$549,694	$543,247

LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007	2006
Interest-bearing liabilities			
Deposits			
Savings and interest-bearing demand deposits	$114,643	$108,330	$110,431
Time deposits	287,297	241,961	216,963
Federal funds purchased	8	11	1
Junior subordinated deferrable interest debentures	10,300	10,300	10,300
Other borrowings	94,844	101,941	124,526
Total interest-bearing liabilities	507,092	462,543	462,221
Non-interest-bearing liabilities			
Demand deposits	39,157	36,281	34,395
Accrued interest payable and other liabilities	4,705	3,600	2,419
Shareholders' equity (3)	49,795	47,270	44,212
	$600,749	$549,694	$543,247

(1) Securities available-for-sale are carried at fair value. The average balance includes quarterly average balances of the market value adjustments and daily average balances for the amortized cost of securities.
(2) Loan balances include principal balances of non-accrual loans and loans held for sale.
(3) Shareholders' equity includes average net unrealized appreciation (depreciation) on securities available-for-sale, net of tax.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

B. The following tables set forth, for the years indicated, the condensed average balances of interest-earning assets and interest-bearing liabilities, the interest earned or paid on such amounts, and the average interest rates earned or paid thereon.

	2008 Average Balance	Interest	Average Rate
INTEREST-EARNING ASSETS	(dollars in thousands)		
Securities available-for-sale (1)			
Taxable	$ 87,800	$ 4,209	4.79%
Non-taxable (2)	45,616	2,897	6.35%
Loans (3, 4)	400,823	28,671	7.15%
Other	28,112	416	1.48%
Total interest-earning assets	$ 562,351	$ 36,193	6.26%
INTEREST-BEARING LIABILITIES			
Deposits			
Savings and interest-bearing demand deposits	$ 114,643	$ 941	0.82%
Time deposits	287,297	10,174	3.54%
Federal funds purchased	8	-	0.00%
Junior subordinated deferrable interest debentures	94,844	4,053	4.27%
Other borrowings	10,300	627	6.09%
Total interest-bearing liabilities	$ 507,092	$ 15,795	3.11%
Net interest income, tax equivalent basis		$ 20,398	
Net interest income as a percent of average interest-earning assets			3.64%

(1) Securities, available-for-sale are carried at fair value. The average balance includes quarterly average balances of the market value adjustments and daily average balances for the amortized cost of securities.
(2) Computed on tax equivalent basis for non-taxable securities (34% statutory rate).
(3) Loan balances include principal balance of non-accrual loans and loans held for sale.
(4) Interest income on loans includes fees on loans of $1,091,254.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

	2007 Average Balance	Interest	Average Rate
INTEREST-EARNING ASSETS	(dollars in thousands)		
Securities available-for-sale (1)			
Taxable	$111,472	$ 5,383	4.83%
Non-taxable (2)	44,301	2,797	6.31%
Loans (3, 4)	345,532	27,271	7.89%
Other	8,109	373	4.60%
Total interest-earning assets	$509,414	$35,824	7.03%
INTEREST-BEARING LIABILITIES			
Deposits			
Savings and interest-bearing demand deposits	$108,330	$1,405	1.30%
Time deposits	241,961	10,598	4.38%
Federal funds purchased	11	1	9.09%
Junior subordinated deferrable interest debentures	10,300	640	6.21%
Other borrowings	101,941	4,787	4.70%
Total interest-bearing liabilities	$462,543	$17,431	3.77%
Net interest income, tax equivalent basis		$ 18,393	
Net interest income as a percent of average interest-earning assets			3.61%

(1) Securities, available-for-sale are carried at fair value. The average balance includes quarterly average balances of the market value adjustments and daily average balances for the amortized cost of securities.
(2) Computed on tax equivalent basis for non-taxable securities (34% statutory rate).
(3) Loan balances include principal balance of non-accrual loans and loans held for sale.
(4) Interest income on loans includes fees on loans of $1,014,527.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

	2006 Average Balance	Interest	Average Rate
INTEREST-EARNING ASSETS	(dollars in thousands)		
Securities available-for-sale (1)			
Taxable	$134,876	$ 6,378	4.73%
Non-taxable (2)	45,696	2,854	6.25%
Loans (3, 4)	323,802	24,454	7.55%
Other	1,022	74	7.24%
Total interest-earning assets	$505,396	$33,760	6.68%
INTEREST-BEARING LIABILITIES			
Deposits			
Savings and interest-bearing demand deposits	$110,431	$2,508	2.27%
Time deposits	216,963	6,687	3.08%
Federal funds purchased	1	-	-
Junior subordinated deferrable interest debentures	10,300	640	6.21%
Other borrowings	124,526	5,591	4.49%
Total interest-bearing liabilities	$462,221	$15,426	3.34%
Net interest income, tax equivalent basis		$ 18,334	
Net interest income as a percent of average interest-earning assets			3.63%

(1) Securities, available-for-sale are carried at fair value. The average balance includes quarterly average balances of the market value adjustments and daily average balances for the amortized cost of securities.
(2) Computed on tax equivalent basis for non-taxable securities (34% statutory rate).
(3) Loan balances include principal balance of non-accrual loans and loans held for sale.
(4) Interest income on loans includes fees on loans of $1,114,879.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

C. The following tables set forth the effect of volume and rate changes on interest income and expenses for the periods indicated. For purposes of these tables, changes in interest due to volume and rate were determined as follows:

Volume variance - change in volume multiplied by the previous year's rate.
Rate variance - change in rate multiplied by the previous year's volume.
Rate/volume variance - change in volume multiplied by the change in rate.
This variance was allocated to volume variances and rate variances in proportion to the relationship of the absolute dollar amount of the change in each.
Interest on non-taxable securities has been adjusted to a fully tax equivalent basis using a statutory tax rate of 34% in all years presented.

	2008/2007		
	Total	Variance Attributable To	
	Variance	Volume	Rate
INTEREST INCOME	(dollars in thousands)		
Securities -			
Taxable	$ (1,174)	$ (1,135)	$ (39)
Non-taxable	100	83	17
Loans	1,400	4,106	(2,706)
Other	43	431	(388)
	369	3,485	(3,116)
INTEREST EXPENSE			
Deposits -			
Savings and interest-bearing demand deposits	(464)	78	(542)
Time deposits	(424)	1,798	(2,222)
Federal funds purchased	(1)	--	(1)
Junior Subordinated deferrable interest debentures	(13)	--	(13)
Other Borrowings	(734)	(320)	(414)
	(1,636)	1,556	(3,192)
NET INTEREST INCOME	$ 2,005	$ 1,929	$ 76

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (CONTINUED)

	2007/2006		
	Total	Variance Attributable To	
	Variance	Volume	Rate
INTEREST INCOME	(dollars in thousands)		
Securities -			
Taxable	$ (995)	$ (1,128)	$ 133
Non-taxable	(57)	(88)	31
Loans	2,817	1,685	1,132
Other	299	335	(36)
	2,064	804	1,260
INTEREST EXPENSE			
Deposits -			
Savings and interest-bearing demand deposits	(1,103)	(47)	(1,056)
Time deposits	3,911	840	3,071
Federal funds purchased	1	0	1
Junior Subordinated deferrable interest debentures	--	--	--
Other Borrowings	(804)	(1,051)	247
	(2,005)	(258)	2,263
NET INTEREST INCOME	$ 59	$ 1,062	$ (1,003)

II. INVESTMENT PORTFOLIO

A. The carrying amounts of securities available-for-sale as of December 31 are summarized as follows:

	2008	2007	2006
	(dollars in thousands)		
Obligations of states and political subdivisions	46,522	44,362	45,879
Mortgage-backed securities	89,476	80,305	93,049
Other	500	2	53
	$136,498	$137,904	$168,075
	=======	=======	=======

The above excludes Federal Home Loan Bank stock amounting to $4,893,800 in 2008, and $4,703,100 in 2007 and 2006.

B. The maturity distribution and weighted average yield of securities available-for-sale at December 31, 2008 are as follows:

	Maturing			
	Within One Year	After One year But Within Five Years	After Five Years But Within Ten Years	After Ten Years
	(dollars in thousands)			
Obligations of states and political Subdivisions	$ 6,240	$ 20,187	$ 15,381	$ 4,714
Mortgage-backed securities (1)	-	467	6,853	82,156
	$ 6,240	$ 20,654	$ 22,234	$ 86,870
	=====	======	======	=======
	Weighted Average Yield			
Obligations of states and political subdivisions	4.91%	4.19%	4.35%	4.72%
Mortgage-backed securities (1)	--	4.00%	4.69%	4.84%
Total	4.91%	4.18%	4.46%	4.83%
	======	======	======	======

(1) Maturity based upon estimated weighted-average life.
(2) Table excludes Federal Home Loan Bank stock and $500,000 of securities having no maturity date.

The weighted average interest rates are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount.

C. There were three securities which exceeded 10% of shareholders' equity at December 31, 2008. All three securities were variable rate mortgage-backed securities with the following market values as of December 31, 2008: $7,265,780, $7,661,534, and $9,525,608. The first two securities were issued by the Federal National Mortgage Association and the remaining security was issued by the Federal Home Loan Mortgage Corporation.

III. LOAN PORTFOLIO

A. Types of Loans – Total loans, including loans held for sale, are comprised of the following classifications at December 31 for the years indicated:

	2008	2007	2006	2005	2004
	(dollars in thousands)				
Commercial and agricultural	$268,433	$222,566	$198,768	$ 172,840	$ 172,818
Real estate mortgage	130,289	110,770	105,018	108,252	112,786
Consumer loans to individuals	19,663	26,224	31,763	28,913	20,987
	$ 418,385	$ 359,560	$ 335,549	$ 310,005	$ 306,591
	=======	=======	=======	=======	=======

Real estate mortgage amounts include real estate construction loans of $20.9 million in 2008, $18.0 million in 2007, $11.9 million in 2006, $13.9 million in 2005, and $14.6 million in 2004. There are no lease financing receivables in any year.

CONCENTRATIONS OF CREDIT RISK – The Corporation's depository institution subsidiary grants commercial, real estate, installment, and credit card loans to customers primarily located in Northwestern and West Central Ohio. Commercial loans include loans collateralized by business assets and agricultural loans collateralized by crops and farm equipment. As of December 31, 2008, commercial and agricultural loans make up 64.16% of the loan portfolio; the loans are expected to be repaid from cash flow from operations of the businesses. As of December 31, 2008, real estate mortgage loans make up 31.14% of the loan portfolio and are collateralized by first mortgages on residential real estate. As of December 31, 2008, consumer loans to individuals make up 4.70% of the loan portfolio and are primarily collateralized by consumer assets.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates – The following table shows the amounts of commercial and agricultural loans outstanding as of December 31, 2008 which, based on remaining scheduled repayments of principal, are due in the periods indicated. Also, the amounts have been classified according to sensitivity to changes in interest rates for commercial and agricultural loans due after one year. (Variable-rate loans are those loans with floating or adjustable interest rates.)

Maturing	Commercial and Agricultural
	(dollars in thousands)
Within one year	$ 62,806
After one year but within five years	39,709
After five years	165,918
	$ 268,433
	=======

III. LOAN PORTFOLIO (CONTINUED)

	Interest Sensitivity		
	Fixed Rate	Variable Rate	Total
	(dollars in thousands)		
Due after one year but within five years	$ 26,388	$ 13,321	$ 39,709
Due after five years	7,366	158,552	165,918
	$ 33,754	$ 171,873	$ 205,627
	======	=======	=======

C. Risk Elements – Non-accrual, Past Due, Restructured and Impaired Loans – The following table summarizes non-accrual, past due, restructured and impaired loans at December 31:

	2008	2007	2006	2005	2004
	(dollars in thousands)				
(a) Loans accounted for on a non-accrual basis	$3,074	$2,613	$2,601	$ 2,060	$ 2,135
(b) Accruing loans that are contractually past due 90 days or more as to interest or principal payments and are still accruing interest	2,387	824	556	906	707
(c) Loans not included in (a) or (b) which are "Troubled Debt Restructurings" as defined by Statement of Financial Accounting Standards No. 15	--	--	--	--	--
	$5,461	$3,437	$3,157	$2,966	$2,842
	=====	=====	=====	=====	=====

III. LOAN PORTFOLIO (CONTINUED)

The following is reported for the year ended December 31, 2008:

	2008 (dollars in thousands)
Gross interest income that would have been recorded in 2008 on non-accrual loans outstanding at December 31, 2008 if the loans had been current, in accordance with their original terms and had been outstanding throughout the period or since origination if held for part of the period	$ 259
Interest income actually recorded on non-accrual loans and included in net income for the period	--
Interest income not recognized during the period	$ 259

1. Discussion of the non-accrual policy

The accrual of interest income is discontinued when the collection of a loan or interest, in whole or in part, is doubtful. When the accrual of interest is discontinued, all interest income accrued but uncollected is reversed. While loans which are past due 90 days or more as to interest or principal payments are considered for non-accrual status, management may elect to continue the accrual of interest when the estimated net realizable value of collateral, in management's judgment, is sufficient to cover the principal balance and accrued interest. These policies apply to both commercial and real estate loans.

2. Potential problem loans

As of December 31, 2008, in addition to the $5,461,000 of loans reported under Item III. C, there are approximately $16,147,000 of other outstanding loans where known information causes management to have doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans pursuant to Item III. C, at some future date. Consideration was given to loans classified for regulatory purposes as substandard or special mention that have not been disclosed in Item III. C above. -

3. Foreign outstandings

None.

4. Loan concentrations

At December 31, 2008, loans outstanding relating to agricultural operations or collateralized by agricultural real estate aggregated $74,652,000. At December 31, 2008, there were three loans for $247,000 in agricultural commercial loans, which were accounted for on a non-accrual basis; and there were no accruing agricultural commercial loans which were contractually past due ninety days or more as to interest or principal payments.

C. Other interest-bearing assets

As of December 31, 2008, there were no other interest-bearing assets that are required to be disclosed.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31:

	2008	2007	2006	2005	2004
LOANS	(dollars in thousands)				
Loans outstanding at end of period (1)	$ 418,385	$ 359,560	$ 335,549	$ 310,005	$ 306,591
Average loans outstanding during period (1)	$ 400,823	$ 345,532	$ 323,802	$ 311,107	$ 297,732
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	$ 2,233	$ 2,275	$ 2,540	$ 2,757	$ 2,768
Loans charged off -					
Commercial and agricultural	(512)	(215)	(261)	(638)	(530)
Real estate mortgage	(85)	(162)	(104)	(66)	(116)
Consumer loans to individuals	(942)	(546)	(453)	(265)	(203)
	(1,539)	(923)	(818)	(969)	(849)
Recoveries of loans previously charged off -					
Commercial and agricultural	40	28	69	52	91
Real estate mortgage	7	10	34	31	34
Consumer loans to individuals	262	218	110	128	136
	309	256	213	211	261
Net loans charged off	(1,230)	(667)	(605)	(758)	(588)
Transfer to other liabilities	--	--	--	(71)	--
Provision for loan losses	2,195	625	340	612	577
Balance at end of period	$3,198	$2,233	$2,275	$ 2,540	$ 2,757
Ratio of net charge-offs during the period to average loans outstanding during the period	0.31%	0.19%	0.19%	0.24%	0.20%

(1) Including loans held for sale.

The allowance for loan losses balance and the provision for loan losses are judgmentally determined by management based upon periodic reviews of the loan portfolio. In addition, management considered the level of charge-offs on loans as well as the fluctuations of charge-offs and recoveries on loans including the factors, which caused these changes. Estimating the risk of loans and the amount of loss is necessarily subjective. Accordingly, the allowance is maintained by management at a level considered adequate to cover losses that are currently anticipated based on past loss experience, general economic conditions, information about specific borrower situations including their financial position and collateral value and other factors and estimates which are subject to change over time.

IV. SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

B. The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios.

Allocation of the Allowance for Loan Losses

(dollars in thousands)

	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans
	December 31, 2008		December 31, 2007	
Commercial and agricultural	$ 2,454	64.2%	$ 1,350	61.9%
Real Estate mortgages	271	31.1%	295	30.8%
Consumer loans to individuals	386	4.7%	377	7.3%
Unallocated	87	N/A	211	N/A
	$ 3,198	100.0%	$ 2,233	100.0%
	December 31, 2006		December 31, 2005	
Commercial and agricultural	$ 1,426	59.2%	$ 1,395	55.8%
Real Estate mortgages	406	31.3%	876	34.9%
Consumer loans to individuals	385	9.5%	165	9.3%
Unallocated	58	N/A	104	N/A
	$ 2,275	100.0%	$ 2,540	100.0%
	December 31, 2004			
Commercial and agricultural	$ 1,937	56.4%		
Real Estate mortgages	543	36.8%		
Consumer loans to individuals	262	6.8%		
Unallocated	15	N/A		
	$ 2,757	100.0%		

While management's periodic analysis of the adequacy of the allowance for loan losses may allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-offs that occur.

V. DEPOSITS

A.&B. The average amount of deposits and average rates paid are summarized as follows for the years ended December 31:

(dollars in thousands)

	2008 Average Amount	2008 Average Rate	2007 Average Amount	2007 Average Rate
Savings and interest-bearing demand deposits	$ 114,643	0.82%	$ 108,330	1.30%
Time deposits	287,297	3.54%	241,961	4.38%
Demand deposits (non-interest bearing)	39,157	--	36,281	--
	$ 441,097		$ 386,572	
	=======		=======	

	2006 Average Amount	2006 Average Rate
Savings and interest-bearing demand deposits	$ 110,431	2.27%
Time deposits	216,963	3.08%
Demand deposits (non-interest bearing)	34,395	--
	$ 361,789	
	=======	

C.&E. There were no foreign deposits in any periods presented.

D. Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at December 31, 2008 are summarized as follows:

Three months or less	$ 27,649
Over three months and through six months	25,925
Over six months and through twelve months	24,665
Over twelve months	28,682
	$106,921
	=======

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders' equity and average total assets and certain other ratios are as follows:

	2008	2007	2006
	(dollars in thousands)		
Average total assets	$ 600,749	$ 549,694	$ 543,247
Average shareholders' equity (1)	$ 49,795	$ 47,270	$ 44,212
Net income	$ 4,419	$ 4,579	$ 4,927
Cash dividends declared	$ 2,065	$ 1,969	$ 1,869
Return on average total assets	0.74%	0.83%	0.91%
Return on average shareholders' equity	8.87%	9.69%	11.14%
Dividend payout ratio (2)	46.73%	43.00%	37.93%
Average shareholders' equity to average total assets	8.29%	8.60%	8.14%

(1) Average shareholders' equity includes average unrealized gains or losses on securities available-for-sale.
(2) Dividends declared divided by net income.

VII. SHORT-TERM BORROWINGS

None.

Item 1A.

RISK FACTORS

An investment in the Corporation's common stock is subject to risks inherent to the Corporation's business. The material risks and uncertainties that management believes affect the Corporation are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones facing the Corporation. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Corporation's business operations. This report is qualified in its entirety by these risk factors.

If any of the following risks actually occur, the Corporation's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Corporation's common stock could decline significantly, and you could lose all or part of your investment.

Risks Related to the Corporation's Business

The Corporation is Subject to Interest Rate Risk

The Corporation's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Corporation's control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Corporation receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the Corporation's ability to originate loans and obtain deposits, (ii) the fair value of the Corporation's financial assets and liabilities, and (iii) the average duration of the Corporation's mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Corporation's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies, to reduce the potential effects of changes in interest rates on the Corporation's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Is Subject To Lending Risk

There are inherent risks associated with the Corporation's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Corporation operates as well as those across the State of Ohio and the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Corporation

is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Corporation to regulatory enforcement action that could result in the assessment of significant civil monetary penalties against the Corporation.

Although the Corporation does not have an inordinately large number of non-performing loans, an increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for possible loans losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation's Allowance for Loan Losses May Be Insufficient

The Corporation maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires the Corporation to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Corporation's control, may require a potentially significant increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review the Corporation's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, the Corporation will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Is Subject To Environmental Liability Risk Associated With Lending Activities

A significant portion of the Corporation's loan portfolio is secured by real property. During the ordinary course of business, the Corporation may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Corporation may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Corporation to incur substantial expenses and may materially reduce the affected property's value or limit the Corporation's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Corporation's exposure to environmental liability. Although the Corporation may perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation's Profitability Depends Significantly on Economic Conditions in the State of Ohio

The Corporation's success depends primarily on the general economic conditions of the State of Ohio and the specific local markets in which the Corporation operates. Unlike larger national or other regional banks that are more geographically diversified, the Corporation provides banking and financial services to customers primarily in the Ohio counties of Allen, Putnam, Sandusky, Van Wert, and Wood. The local economic conditions in these areas have a significant impact on the demand for the

Corporation's products and services as well as the ability of the Corporation's customers to repay loans, the value of the collateral securing loans and the stability of the Corporation's deposit funding sources. A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors could impact those local economic conditions and, in turn, have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Operates in a Highly Competitive Industry and Market Area

The Corporation faces substantial competition in all areas of its operations from a variety of different competitors, many of whom are larger and may have more financial resources. Such competitors primarily include national, regional, and community banks within the various markets the Corporation operates. The Corporation also faces competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of the Corporation's competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than the Corporation can.

The Corporation's ability to compete successfully depends on a number of factors, including, among other things:

- The ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets.
- The ability to expand the Corporation's market position.
- The scope, relevance and pricing of products and services offered to meet customer needs and demands.
- The rate at which the Corporation introduces new products and services relative to its competitors.
- Customer satisfaction with the Corporation's level of service.
- Industry and general economic trends.

Failure to perform in any of these areas could significantly weaken the Corporation's competitive position, which could adversely affect the Corporation's growth and profitability, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Is Subject To Extensive Government Regulation And Supervision

The Corporation, primarily through its wholly owned subsidiary, The Union Bank Company, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect the Corporation's lending practices, capital structure,

investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Corporation in substantial and unpredictable ways. Such changes could subject the Corporation to additional costs, limit the types of financial services and products the Corporation may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputational damage, which could have a material adverse effect on the Corporation's business, financial condition and results of operations. While the Corporation has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

The Corporation's Controls and Procedures May Fail or Be Circumvented

Management regularly reviews and updates the Corporation's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Corporation's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation Relies On Dividends from Its Subsidiaries for Most of Its Revenue

The Corporation is a separate and distinct legal entity from its subsidiary. It receives substantially all of its revenue from dividends from its subsidiary. These dividends are the principal source of funds to pay dividends on the Corporation's common stock, interest and principal on the Corporation's debt, and other operating expenses. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay to the Corporation. Also, the Corporation's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to the Corporation, the Corporation may not be able to service debt, pay obligations or pay dividends on the Corporation's common stock. The inability to receive dividends from the Bank could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation May Not Be Able To Attract And Retain Skilled People

The Corporation's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Corporation can be intense and the Corporation may not be able to hire people or to retain them. The unexpected loss of services of one or more of the Corporation's key personnel could have a material adverse impact on the Corporation's business because of their skills, knowledge of the Corporation's market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

The Corporation's Information Systems May Experience an Interruption or Breach in Security

The Corporation relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Corporation's customer relationship management, general ledger, deposit, loan and other systems. While the Corporation has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that

any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Corporation's information systems could damage the Corporation's reputation, result in a loss of customer business, subject the Corporation to additional regulatory scrutiny, or expose the Corporation to civil litigation and possible financial liability, any of which could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation Continually Encounters Technological Change

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Corporation's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Corporation's operations. Many of the Corporation's competitors have substantially greater resources to invest in technological improvements. The Corporation may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Corporation's business and, in turn, the Corporation's financial condition and results of operations.

The Corporation Is Subject To Claims and Litigation Pertaining to Fiduciary Responsibility

From time to time, customers make claims and take legal action pertaining to the Corporation's performance of its fiduciary responsibilities. Whether customer claims and legal action related to the Corporation's performance of its fiduciary responsibilities are founded or unfounded, if such claims and legal action are not resolved in a manner favorable to the Corporation they may result in significant financial liability and/or adversely affect the market perception of the Corporation and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Corporation's business, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

Severe Weather, Natural Disasters, Acts of War Or Terrorism And Other External Events Could Significantly Impact The Corporations Business

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Corporation's ability to conduct business. Such events could affect the stability of the Corporation's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Corporation to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on the Corporation's business, which, in turn, could have a material adverse effect on the Corporation's financial condition and results of operations.

Risks Associated with the Corporation's Common Stock

The Corporation's Stock Price Can Be Volatile

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. The Corporation's stock price can fluctuate significantly in response to a variety of factors including, among other things:

- Actual or anticipated variations in quarterly results of operations.
- Recommendations by securities analysts.
- Operating and stock price performance of other companies that investors deem comparable to the Corporation.
- News reports relating to trends, concerns and other issues in the financial services industry.
- Perceptions in the marketplace regarding the Corporation and/or its competitors.
- New technology uses, or services offered, by competitors.
- Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors.
- Failure to integrate acquisitions or realize anticipated benefits from acquisitions.
- Changes in government regulations.
- Geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause the Corporation's stock price to decrease regardless of operating results.

An Investment in the Corporation's Common Stock is NOT an Insured Deposit

The Corporation's common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in the Corporation's common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire the Corporation's common stock, you may lose some or all of your investment.

The Corporation's Articles of Incorporation and Regulations as well as Certain Banking Laws may have an Anti-Takeover Effect

Provisions, of the Corporation's articles of incorporation and regulations and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire the Corporation, even if doing so would be perceived to be beneficial to the Corporation's shareholders.

The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of the Corporation's common stock.

Risks Associated with the Corporation's Industry

The Earnings of Financial Services Companies are significantly affected by General Business and Economic Conditions

The Corporation's operations and profitability are impacted by general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, and the strength of the U.S.

economy and the local economies in which the Corporation operates, all of which are beyond the Corporation's control. Deterioration in economic conditions could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for the Corporation's products and services, among other things, any of which could have a material adverse impact on the Corporation's financial condition and results of operations.

Financial Services Companies Depend on the Accuracy and Completeness of Information about Customers and Counterparties

In deciding whether to extend credit or enter into other transactions, the Corporation may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Corporation may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Corporation's business and, in turn, the Corporation's financial condition and results of operations.

Consumers May Decide Not To Use Banks to Complete their Financial Transactions

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on the Corporation's financial condition and results of operations.

Item 2. Properties

The following is a listing and brief description of the properties owned by the Corporation and the Bank and used in its business:

1. The main office is a two-story brick building located at 100 South High Street, Columbus Grove, Ohio. The building was constructed in approximately 1900 and contains approximately 7,870 square feet.

2. A full service branch office is located at 110 East North Street, Kalida, Ohio. The building was constructed in 1994 and contains approximately 2,540 square feet.

3. A full service branch office is located at 3211 Elida Road, Lima, Ohio. The building was constructed in 1994 and contains approximately 4,000 square feet.

4. A full service branch office is located at 1410 Bellefontaine Avenue, Lima, Ohio. The building was constructed in 1998 and contains approximately 4,200 square feet.

5. A drive-thru facility containing approximately 720 square feet located at 101 Progressive Drive, Columbus Grove, Ohio was completed and opened in February 2007. The new facility replaced a drive-thru facility that was located at 200 East Sycamore Street, Columbus Grove, Ohio, which was completely demolished in July 2007.

6. Two buildings located at 102 & 106 South High Street, Columbus Grove, Ohio were constructed in approximately 1930. They are both two-story buildings and together contain approximately 9,700 square feet. These facilities are used to house the operations areas of the Bank.

7. A full service branch office is located at 318 South Belmore Street, Leipsic, Ohio. It was constructed in 2001 and contains approximately 3,100 square feet.

8. A full service branch office is located at 114 East 3rd Street, Delphos, Ohio. The building was acquired as part of the Citizens Bank of Delphos Acquisition in 2001.

9. A full service branch office is located at 140 Front Street, Pemberville, Ohio. The building was acquired as part of the RFCBC branch Acquisition in March 2003.

10. A full service branch office is located at 230 West Main Street, Gibsonburg, Ohio. The building was acquired as part of the RFCBC branch Acquisition in March 2003.

11. A full service branch office is located at 1300 North Main Street, Bowling Green, Ohio. Construction was completed during the third quarter of 2007.

12. A full service branch office is located at 245 West Main Street, Ottawa, Ohio. The building contains approximately 3,074 square feet, which was completed and opened during the fourth quarter of 2008.

13. A full service branch office is located at 701 Shawnee Road, Lima, Ohio. The building was constructed in 1964 and contains approximately 2400 square feet. The building was purchased, renovated and opened in December 2008.

In addition to the aforementioned properties, the bank leased a temporary branch located at the site of the former Ottawa branch until the new branch was completed in November, 2008. The former branch was damaged by a flood in August, 2007. In addition, the full service branch office located at 215 West Market Street, Lima, Ohio was closed in December, 2008. The office was closed and moved to the newly renovated Shawnee branch office.

All of the properties are suitable for their intended use.

Item 3. 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 its banking business. None of such proceedings are considered by the Corporation to be material.

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

No matter was submitted to a vote of shareholders during the quarter ended December 31, 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

There were approximately 1,541 shareholders of record as of February 28, 2009.

The table below includes certain information regarding the Corporation's repurchase of United Bancshares, Inc. common stock during the quarterly period ended December 31, 2008:

Period	Total number of shares purchased(a)	Average price paid per share(c)	Total number of shares purchased as part of publicly announced plan or program	Maximum number of shares that may yet be purchased under the plan or program(b)
10/1/08 - 10/31/08	None	-	214,558	185,442
11/01/08 - 11/30/08	None	-	214,558	185,442
12/1/08 - 12/31/08	None	-	214,558	185,442

(a) All share purchases were part of a publicly announced plan and all were open-market transactions.

(b) 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.

(c) Includes related brokerage fees.

Additional information required herein is incorporated by reference from ("Market Price and Dividends on Common Stock") United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

The following table presents the securities authorized for issuance under equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights.	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance.
	(a)	(b)	(c)
Equity compensation plans approved by security holders	5,146	9.66	---
Equity compensation plans not approved by security holders	---	---	---
Total	5,146	9.66	---

Item 6. Selected Financial Data

The information required herein is incorporated by reference from ("Five Year Summary of Selected Financial Data") United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required herein is incorporated by reference from page 4 through 15 ("Management's Discussion and Analysis") of United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required herein is incorporated by reference from page 15 through 16 ("Management's Discussion and Analysis") of United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

Item 8. Financial Statements and Supplementary Data

The information required herein is incorporated by reference from page 18 through 54 of United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

With the participation of the Corporation's principal executive officer and principal financial officer, the Corporation's management has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Corporation's principal executive officer and principal financial officer have concluded that:

(a) information required to be disclosed by the Corporation in this Annual Report on Form 10-K and the other reports which the Corporation files or submits under the Exchange Act would be accumulated and communicated to the Corporation's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure;

(b) information required to be disclosed by the Corporation in this Annual Report on Form 10-K and the other reports which the Corporation files or submits under the Exchange Act 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 were effective as of the end of the period covered by this Annual Report on Form 10-K.

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. Management of the Corporation and its subsidiary are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15f. The Corporation's internal control over financial reporting is a process designed under the supervision of the Corporation's Chief Executive Officer and Chief Financial Officer. The purpose is to provide reasonable assurance to the Board of Directors regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Management maintains internal controls over financial reporting. The internal controls contain control processes and actions are taken to correct deficiencies as they are identified. The internal controls are evaluated on an ongoing basis by the Corporation's Management, and Audit Committee. Even effective internal controls, no matter how well designed, have inherent limitations – including the possibility of circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to financial statement preparation. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the Corporation's internal controls as of December 31, 2008, in relation to criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2008, the Corporation's internal control over financial reporting met the criteria.

There were no changes in the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Corporation's fiscal quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

This annual report does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation of the Corporation's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Corporation to provide only management's report in this annual report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required herein concerning Directors and Executive Officers is contained under the captions "Election of Directors" and "Directors and Executive Officers" of the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

Information required by this item concerning the Corporation's Audit Committee is contained under the caption "Audit Committee Report" of the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

Information required by this item concerning the Corporation's procedures for the nomination of Directors is contained under the caption "Committees of the Board of Directors" in the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

Information required by this item concerning compliance with section 16(a) of the Securities Exchange Act of 1934, as amended, is contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

On February 17, 2004, the Corporation adopted a Code of Ethics that is applicable to all employees of the Corporation, including the Corporation's principal executive officer and principal financial and accounting officer. The Board of Directors reviewed the Code of Ethics on February 17, 2009. A copy of the Code of Ethics is incorporated herein by reference to the Corporation's Form 10-K filed March 23, 2007.

Item 11. Executive Compensation

The information required herein concerning Directors and Executive Officers of the Corporation is contained under the caption "Compensation of Directors and Executive Officers" in the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required herein is contained under the caption "Voting Securities" in the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In the ordinary course of conducting its business, the Corporation, for itself or through its bank subsidiary, may engage in transactions with the directors, employees, and managers of the Corporation or of the subsidiary which may include, but not be limited to, loans. As required by and in compliance with Ohio banking law, all banking transactions with directors, employees or managers of the Corporation are conducted on the same basis and terms as would be provided to any other bank customer.

Item 14. Principal Accountant Fees and Services

Information required by this item is contained under the caption "Independent Public Accountants" in the Corporation's definitive proxy statement dated March 23, 2009, which is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements –

The information required herein is filed as part of this report and is set forth in the United Bancshares' Annual Report to Shareholders for 2008 ("Annual Report"), which is included herein as Exhibit 13.

2. Financial Statement Schedules -

None.

3. Exhibits Required by Item 601 Regulations S-K -

The following exhibits are either filed as a part of this report or are incorporated herein by reference to documents previously filed as indicated below:

Exhibit No.		
3.1	Articles of Incorporation	(1)
3.2	Regulations	(1)
10	Material Contracts	
10.1	Preferred Trust Securities, Placement and Debenture agreements	(2)
10.2	Employment Agreement – Daniel W. Schutt	(2)
10.3	Severance Agreement – E. Eugene Lehman	(2)
10.4	Agreement – Brian D. Young	(4)
10.5	Salary Continuation Agreement - Brian D. Young	(2)
10.6	Salary Continuation Agreement – Heather M. Oatman	(3)
10.7	Salary Continuation Agreement – Daniel W. Schutt	(5)
13	Annual Report to Shareholders - 2008 (pages 1-56)	(3)
14	Code of Ethics	(5)
21	Subsidiaries	(3)
23	Consent of Independent Accountants	(3)
31.1	Rule 13a-14(a)/15d-14(a) CEO's Certification	(3)
31.2	Rule 13a-14(a)/15d-14(a) CFO's Certification	(3)
32.1	Section 1350 CEO's Certification	(3)
32.2	Section 1350 CFO's Certification	(3)
99	Safe Harbor under The Private Securities Litigation Reform Act of 1995	(3)

(1)Incorporated herein by reference to the Corporation's Definitive Proxy Statement pursuant to Section 14(a) filed March 8, 2002, SEC file reference number 333-86543.
(2) Incorporated herein by reference to the Corporation's 2004 Form 10K/A filed August 5, 2005, SEC file reference number 333-86543.
(3) Included herein.
(4) Incorporated herein by reference to the Corporation's Form 8-K filed July 20, 2006.
(5) Incorporated herein by reference to the Corporation's Form 10-K filed March 23, 2007.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ DANIEL W. SCHUTT
Daniel W. Schutt, CEO, President

By: /s/ BRIAN D. YOUNG
Brian D. Young, Executive Vice President,
Treasurer & Chief Financial Officer

Date: March 20, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ DANIEL W. SCHUTT Daniel W. Schutt	Director	March 20, 2009
/s/ JAMES N. REYNOLDS James N. Reynolds	Director	March 20, 2009
/s/ H. EDWARD RIGEL H. Edward Rigel	Director	March 20, 2009
/s/ R. STEVEN UNVERFERTH R. Steven Unverferth	Director	March 20, 2009
/s/ ROBERT L. BENROTH Robert L. Benroth	Director	March 20, 2009
/s/ ROBERT L. DILLHOFF Robert L. Dillhoff	Director	March 20, 2009
/s/ DAVID P. ROACH David P. Roach	Director	March 20, 2009

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Section 2: EX-10 (EXHIBIT 10.6)

Exhibit 10.6

THE UNION BANK COMPANY
SALARY CONTINUATION AGREEMENT

THIS SALARY CONTINUATION AGREEMENT (the "Agreement") is adopted this 15th day of November , 2004 , by and between THE UNION BANK COMPANY, a state-chartered commercial bank located in Columbus Grove, Ohio (the "Company"), and HEATHER OATMAN (the "Executive").

The purpose of this Agreement is to provide specified benefits to the Executive, a member of a select group of management or highly compensated employees who contribute materially to the continued growth, development, and future business success of the Company. This Agreement shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended from time to time. The Company will pay the benefits from its general assets.

The Company and the Executive agree as provided herein.

Article 1
Definitions

Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1 " Accrual Balance " means the liability that should be accrued by the Company, under Generally Accepted Accounting Principles ("GAAP"), for the Company's obligation to the Executive under this Agreement, by applying Accounting Principles Board Opinion Number 12 ("APB 12") as amended by Statement of Financial Accounting Standards Number 106 ("FAS 106") and the Discount Rate. Any one of a variety of amortization methods may be used to determine the Accrual Balance. However, once chosen, the method must be consistently applied. The Accrual Balance shall be reported by the Company to the Executive on Schedule A.

1.2 " Beneficiary " means each designated person, or the estate of the deceased Executive, entitled to benefits, if any, upon the death of the Executive determined pursuant to Article 4.

1.3 " Beneficiary Designation Form " means the form established from time to time by the Plan Administrator that the Executive completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.4 " Change of Control " means the transfer of shares of the Company's voting common stock such that one entity or one person acquires (or is deemed to acquire when applying Section 318 of the Code) more than 35 percent of the Company's outstanding voting common stock.

1.5 " Change of Control Benefit " means the benefit described in Section 2.4.

1.6 " Code " means the Internal Revenue Code of 1986, as amended.

1.7 " Death Benefit " means the benefit described in Article 3.

1.8 " Disability " means the Executive's suffering a sickness, accident or injury which has been determined by the insurance carrier of any individual or group disability insurance policy covering the Executive, or by the Social Security Administration, to be a disability rendering the Executive totally and permanently disabled. The Executive must submit proof to the Plan Administrator of the insurance carrier's or Social Security Administration's determination upon the request of the Plan Administrator.

1.9 " Disability Benefit " means the benefit described in Section 2.3.

1.10 " Discount Rate " means the rate used by the Plan Administrator for determining the Accrual Balance. The initial Discount Rate is six and one-half percent (6.5%). However, the Plan Administrator, in its sole discretion, may adjust the Discount Rate to maintain the rate within

reasonable standards according to GAAP.

1.11 " Early Termination " means the Termination of Employment before Normal Retirement Age for reasons other than death, Disability, Termination for Cause or following a Change of Control.

1.12 " Early Termination Date " means the month, day and year in which Early Termination occurs.

1.13 " Early Termination Benefit " means the benefit described in Section 2.2.

1.14 " Effective Date " means January 1,2004.

1.15 " Normal Retirement Age " means the Executive attaining age sixty-five (65).

1.16 " Normal Retirement Benefit " means the benefit described in Section 2.1.

1.17 " Normal Retirement Date " means the later of the Normal Retirement Age or Termination of Employment.

1.18 " Plan Administrator " means the plan administrator described in Article 8.

1.19 " Plan Year " means a twelve-month period commencing on January 1 and ending on December 31 of each year. The initial Plan Year shall commence on the Effective Date of this Agreement.

1.20 " Schedule A " means the benefit description form attached to this Agreement, which is updated by the Plan Administrator on an annual basis. If there is a conflict in any terms or provisions between the Schedule A and this Agreement, the terms and provisions of this Agreement shall prevail.

1.21 " Termination for Cause " has that meaning set forth in Article 5.

1.22 " Termination of Employment " means that the Executive ceases o be employed by the Company for any reason, voluntary or involuntary, other than by reason of a leave of absence approved by the Company.

1.23 " Years of Service " means the total number of calendar years during which the Executive is employed on a full-time basis by the Company, or any of its affiliates or subsidiaries, with a minimum of 1,000 hours in any calendar year, inclusive of any approved leaves of absence, beginning on the Executive's date of hire.

Article 2
Benefits During Lifetime

2.1 Normal Retirement Benefit. Upon Termination of Employment on or after the Normal Retirement Age for reasons other than death, the Company shall pay to the Executive the benefit described in this Section 2.1 in lieu of any other benefit under this Article.

2.1.1 Amount of Benefit. The annual benefit under this Section 2.1 is $15,000 (Fifteen Thousand Dollars).

2.1.2 Payment of Benefit. The Company shall pay the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following the Executive's Normal Retirement Date. The annual benefit shall be paid to the Executive for fifteen (15) years.

2.2 Early Termination Benefit. Upon Early Termination, the Company shall pay to the Executive the benefit described in this Section 2.2 in lieu of any other benefit under this Article.

2.2.1 Amount of Benefit. The annual benefit under this Section 2.2 is the Early Termination Benefit set forth on Schedule A for the Plan Year during which the Early Termination Date occurs, This benefit is determined by vesting the Executive in one hundred percent (100%) of the Accrual Balance

2.2.2 Payment of Benefit. The Company shall pay the annual benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following the Executive's Early Termination Date. The annual benefit shall be paid to the Executive for fifteen *(15)* years. The Board, in its sole discretion, may elect to pay this benefit in a lump sum.

2.3 Disability Benefit. Upon Termination of Employment due to Disability prior to Normal Retirement Age, the Company shall pay to the Executive the benefit described in this Section 2.3 in lieu of any other benefit under this Article.

2.3.1 Amount of Benefit. The annual benefit under this Section 2.3 is the Disability Benefit set forth on Schedule A for the Plan Year during which the Termination of Employment occurs. This benefit is determined by vesting the Executive in one hundred percent (100%) of the Accrual Balance.

2.3.2 Payment of Benefit. The Company shall pay the benefit to the Executive in twelve (12) equal monthly installments commencing on the first day of the month following the Executive's Termination of Employment due to Disability. The annual benefit shall be paid to the Executive for fifteen (15) years. The Board, in its sole discretion, may elect to pay this benefit in a lump sum.

2.4 Change of Control Benefit. Upon a Change of Control followed by the Executive's Termination of Employment, the Company shall pay to the Executive the benefit described in this Section 2.4 in lieu of any other benefit under this Article.

2.4.1 Amount of Benefit. The lump sum benefit under this Section 2.4 is the Change of Control Benefit set forth on Schedule A for the Plan Year during which Termination of Employment occurs. This benefit is determined by vesting the Executive in one hundred percent (100%) of the Accrual Balance.

2.4.2 Payment of Benefit. The Company shall pay the benefit to the Executive in a lump sum within ninety (90) days following Termination of Employment.

Article 3
Death Benefits

3.1 Death During Active Service. If the Executive dies while in the active service of the Company, the Company shall pay to the Beneficiary the benefit described in this Section 3.1. This benefit shall be paid in lieu of the benefits under Article 2.

3.1.1 Amount of Benefit. The benefit under this Section 3.1 is the Normal Retirement Benefit amount described in Section 2.1.1.

3.1.2 Payment of Benefit. The Company shall pay the annual benefit to the Beneficiary in twelve (12) equal monthly installments commencing with the month following the Executive's death. The annual benefit shall be paid to the Beneficiary for a period of fifteen (15) years. The Board, in its sole discretion, may elect to pay this benefit in a lump sum.

3.2 Death During Payment of a Benefit. If the Executive dies after any benefit payments have commenced under Article 2 of this Agreement, but before receiving all such payments, the Company shall pay the remaining benefits to the Beneficiary at the same time and in the same amounts they would have been paid to the Executive had the Executive survived. In the event of: (i)death prior to Normal Retirement Age and during payment of a Disability benefit; or (ii) death following payment of a Change of Control benefit, the Company shall pay the following death benefits in lieu of the benefit just described:

3.2.1 Death Prior to Normal Retirement Age and During Payment of a Disability Benefit. In the event of the Executive's death while Disabled and prior to attaining Normal Retirement Age, the Company shall cease paying the Disability Benefit described in Section 2.3 and pay to the Executive's beneficiary the Death Benefit described in Section 3.1, less any Disability Benefit payments already paid out under Section 2.3.

3.2.2 Death Following Payment of a Change of Control Benefit. In the event of the Executive's death following payment of a Change of Control benefit in Section 2.4, the Company shall pay to the Executive's beneficiary the Death Benefit described in Section 3.1, less any Change of Control payments already paid out under Section 2.4.

3.3 Death After Termination of Employment But Before Payment of a Benefit Commences. If the Executive is entitled to any benefit payments under Article 2 of this Agreement, but dies prior to the commencement of said benefit payments, the Company shall pay the same benefit payments to the Beneficiary that the Executive was entitled to prior to death except that the benefit

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payments shall commence on the first day of the month following the date of the Executive's death.

Article 4
Beneficiaries

4.1 Beneficiary Designation. The Executive shall have the right, at any time, to designate a Beneficiary(ies) to receive any benefits payable under this Agreement upon the death of the Executive. The Beneficiary designated under this Agreement may be the same as or different from the beneficiary designation under any other benefit plan of the Company in which the Executive participates.

4.2 Beneficiary Designation: Change. The Executive shall designate a Beneficiary by completing and

signing the Beneficiary Designation Form, and delivering it to the Plan Administrator or its designated agent. The Executive's Beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved. The Executive shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Executive and accepted by the Plan Administrator prior to the Executive's death.

4.3 Acknowledgment . No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

4.4 No Beneficiary Designation . If the Executive dies without a valid beneficiary designation, or if all designated Beneficiaries predecease the Executive, then the Executive's spouse shall be the designated Beneficiary. If the Executive has no surviving spouse, the benefits shall be made to the personal representative of the Executive's estate.

4.5 Facility of Payment . If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative, or person having the care or custody of such minor, incompetent person, or incapable person. The Plan Administrator may require proof of incompetence, minority, or guardianship as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Executive and the Executive's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such payment amount.

Article *5*
General Limitations

5.1 Termination for Cause. Notwithstanding any provision of this Agreement to the contrary, the Company shall not pay any benefit under this Agreement if the Company's Board of Directors terminates the Executive's employment for:

(a) Conviction of a felony; or

(b) Fraud, disloyalty, dishonesty, or willful violation of any law or significant Company policy committed in connection with the Executive's employment and resulting in a material adverse effect on the Company; or

(c) Issuance of an order for removal of the Executive by the Company's banking regulators.

5.2 Suicide or Misstatement. The Company shall not pay any benefit under this Agreement if the Executive commits suicide within two years after the Effective Date. In addition, the Company shall not pay any benefit under this Agreement if the Executive has made any material misstatement of fact on any application for life insurance owned by the Company on the Executive's life.

5.4 Excess Parachute Payment. Notwithstanding any provision of this Agreement to the contrary, to the extent any benefit would create an excise tax under the excess parachute rules of Section 280G of the Code, the Company shall reduce the benefit paid under this Agreement to the maximum benefit that would not result in any such excise tax.

Article 6
Claims And Review Procedures

6.1 Claims Procedure. An Executive or Beneficiary ("claimant") who has not received benefits under the Agreement that he or she believes should be paid shall make a claim for such benefits as follows:

6.1.1 Initiation — Written Claim. The claimant initiates a claim by submitting to the Plan Administrator a written claim for the benefits.

6.1.2 Timing of Plan Administrator Response. The Plan Administrator shall respond to such claimant within 90 days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional 90 days by notifying the claimant in writing, prior to the end of the initial 90-day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

6.1.3 Notice of Decision. If the Plan Administrator denies part or all of the claim, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) A reference to the specific provisions of the Agreement on which the denial is based;

(c) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why it is needed;

(d) An explanation of the Agreement's review procedures and the time limits applicable to such procedures; and

(e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

6.2 Review Procedure . If the Plan Administrator denies part or all of the claim, the claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial, as follows:

6.2.1 Initiation - Written Request . To initiate the review, the claimant, within 60 days after receiving the Plan Administrator's notice of denial, must file with the Plan Administrator a written request for review.

6.2.2 Additional Submissions - Information Access . The claimant shall then have the opportunity to submit written comments, documents, records, and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

6.2.3 Considerations on Review . In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

6.2.4 Timing of Plan Administrator Response . The Plan Administrator shall respond in writing to such claimant within 60 days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the 'response period by an additional 60 days by notifying the claimant in writing, prior to the end of the initial 60-day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

6.2.5 Notice of Decision . The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) A reference to the specific provisions of the Agreement on which the denial is based;

(c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and

(d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

Article 7
Amendments and Termination

This Agreement may be amended or terminated only by a written agreement signed by the Company and the Executive. Upon such amendment or termination the Company shall pay benefits to the Executive as if Early Termination occurred on the date of such amendment or termination, regardless of whether Early Termination actually occurs. Additionally, the Company may also amend this Agreement to conform with written directives to the Company from its banking regulators.

Article 8
Administration of Agreement

8.1 Plan Administrator Duties . This Agreement shall be administered by a Plan Administrator which shall consist of the Board, or such committee or person(s) as the Board shall appoint. The Executive may be a member of the Plan Administrator. The Plan Administrator shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Agreement, and (ii) decide or resolve any and all questions including interpretations of this Agreement, as may arise in connection with the Agreement.

8.2 Agents . In the administration of this Agreement, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a duly appointed representative), and may from time to time consult with counsel who may be counsel to the Company.

8.3 Binding Effect of Decisions . The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Agreement. No Executive or Beneficiary shall be deemed to have any right, vested or nonvested, regarding the continued use of any previously adopted assumptions, including but not limited to the Discount Rate.

8.4 Indemnity of Plan Administrator . The Company shall indemnify and hold harmless the members of the Plan Administrator against any and all claims, losses, damages, expenses, or liabilities arising from any action or failure to act with respect to this Agreement, except in the case of willful misconduct by the Plan Administrator or any of its members.

8.5 Company Information . To enable the Plan Administrator to perform its functions, the Company shall supply full and timely information to the Plan Administrator on all matters relating to the date and circumstances of the retirement, Disability, death, or Termination of Employment of the Executive, and such other pertinent information as the Plan Administrator may reasonably require.

8.6 Annual Statement . The Plan Administrator shall provide to the Executive, within 120 days after the end of each Plan Year, a statement setting forth the benefits payable under this Agreement.

Article 9
Miscellaneous

9.1 Binding Effect . This Agreement shall bind the Executive and the Company, and their beneficiaries, survivors, executors, successors, administrators, and transferees.

9.2 No Guarantee of Employment . This Agreement is not an employment policy or contract. It does not give the Executive the right to remain an employee of the Company, nor does it interfere with the Company's right to discharge the Executive. It also does not require the Executive to remain an employee nor interfere with the Executive's right to terminate employment at any time.

9.3 Non-Transferability . Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached, or encumbered in any manner.

9.4 Tax Withholding . The Company shall withhold any taxes that, in its reasonable judgment, are required to be withheld from the benefits provided under this Agreement. The Executive acknowledges that the Company's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authority(ies).

9.5 Applicable Law . The Agreement and all rights hereunder shall be governed by the laws of the State of 01-HO, except to the extent preempted by the laws of the United States of America.

9.6 Unfunded Arrangement . The Executive and Beneficiary are general unsecured creditors of the Company for the payment of benefits under this Agreement. The benefits represent the mere promise by the Company to pay such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors. Any insurance on the Executive's life is a general asset of the Company to which the Executive and Beneficiary have no preferred or secured claim.

9.7 Reorganization . The Company shall not merge or consolidate into or with another company, or reorganize, or sell substantially all of its assets to another company, firm, or person unless such succeeding or continuing company, firm, or person agrees to assume and discharge the obligations of the Company under this Agreement. Upon the occurrence of such event, the term "Company" as used in this Agreement shall be deemed to refer to the successor or survivor company.

9.8 Entire Agreement . This Agreement constitutes the entire agreement between the Company and the Executive as to the subject matter hereof. No rights are granted to the Executive by virtue of this Agreement other than those specifically set forth herein.

9.9 Interpretation . Wherever the fulfillment of the intent and purpose of this Agreement requires, and the context will permit, the use of the masculine gender includes the feminine and use of the singular includes the plural.

9.10 Alternative Action . In the event it shall become impossible for the Company or the Plan Administrator to perform any act required by this Agreement, the Company or Plan Administrator may in its discretion perform such alternative act as most nearly carries out the intent and purpose of this Agreement and is in the best interests of the Company.

9.11 Headings . Articles and section headings are for convenient reference only and shall not control or affect the meaning or construction of any of its provisions.

9.12 Validity . In case any provision of this Agreement shall be illegal or invalid for any reason, said

illegality or invalidity shall not affect the remaining parts hereof, but this Agreement shall be construed and enforced as if such illegal and invalid provision has never been inserted herein.

9.13 Notice. Any notice or filing required or permitted to be given to the Company or Plan Administrator under this Agreement shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to the Executive under this Agreement shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Executive.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the Company have signed this Agreement.

EXECUTIVE:	**COMPANY:**
	THE UNION BANK COMPANY
/s/ HEATHER M. OATMAN	By /s/ E. EUGENE LEHMAN
Heather Oatman	Title President

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Section 3: EX-13 (EXHIBIT 13)

Exhibit 13

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Dear Shareholder:

As I am sure you are aware, 2008 was a challenging year for the banking industry. We were not immune from the current economic events, but with that in mind we are pleased with our results.

Because of the efforts of all those associated with United Bancshares, I am pleased to report that the Corporation was able to achieve net earnings of $4.4 million ($1.28 per share) in 2008. Also, dividends were increased 7.1% from $0.56 per share in 2007 to $0.60 in 2008.

We are also pleased to report that we had significant growth in 2008, including increases in the loan portfolio which increased approximately $59.0 million (16.4%) to $418.1 million at December 31, 2008. Shareholders' equity increased 3.8% to $50.7 million at December 31, 2008. Total assets for the Corporation increased from $548.0 million at December 31, 2007 to $616.1 million at December 31, 2008, a $68.1 million (12.4%) increase.

From a facility standpoint, our new Ottawa branch officially opened in November 2008. We are very pleased with the way it is functioning and believe it provides us with an excellent office to serve our existing and future customers in that community and surrounding area. In the Lima area, we had an opportunity to purchase a bank branch in Shawnee, which we renovated and moved our downtown office to that location in December 2008. We invite you to stop and view both of these new locations, if you are in the area.

At this time we believe that, under the current economic conditions, 2009 will be another difficult year for the banking industry. We continue to be committed to placing our resources and banking knowledge to best serve the interests of our shareholders, customers and communities.

Respectfully,

/s/Daniel W. Schutt
Daniel W. Schutt
President & CEO

UNITED BANCSHARES, INC.

DESCRIPTION OF THE CORPORATION

United Bancshares, Inc., an Ohio corporation (the "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. Following the merger of the Company's other two bank subsidiaries into The Union Bank Company, Columbus Grove, Ohio ("Bank") in March 2003, the Company is now a one-bank holding company, as that term is defined by the Federal Reserve Board. Effective February 1, 2007, the Bank formed a wholly-owned subsidiary, UBC Investments, Inc. ("UBC") to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware. Through its subsidiary, the Bank, the Corporation is engaged in the business of commercial banking and offers a full range of commercial banking services.

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, Ohio.

MARKET PRICE AND DIVIDENDS ON COMMON STOCK

United Bancshares, Inc. has traded its common stock on the Nasdaq Markets Exchange under the symbol "UBOH" since March 2001. From January 2000 to March 2001, the Corporation's common stock was traded on the Nasdaq Over-The-Counter Bulletin Board. Prior to January 2000, there was no established public trading market for United Bancshares, Inc. common stock. As of February 28, 2009, the common stock was held by 1,541 shareholders of record. Below are the

trading highs and lows for the periods noted.

Year 2008	**High**	**Low**
First Quarter	$14.66	$12.57
Second Quarter	14.39	14.39
Third Quarter	12.87	12.10
Fourth Quarter	11.00	9.30

Year 2007	**High**	**Low**
First Quarter	$17.50	$15.50
Second Quarter	16.50	14.37
Third Quarter	15.41	14.01
Fourth Quarter	15.00	12.40

Dividends declared by United Bancshares, Inc. on its common stock during the past two years were as follows:

	2008	**2007**
First Quarter	$ .15	$ .14
Second Quarter	.15	.14
Third Quarter	.15	.14
Fourth Quarter	.15	.14
Total	$ .60	$ .56

AVAILABILITY OF MORE INFORMATION

To obtain a copy, without charge, of the United Bancshares, Inc.'s annual report (Form 10-K) filed with the Securities and Exchange Commission, please write to:

Heather Oatman, Secretary
United Bancshares, Inc.
100 S. High Street
Columbus Grove, Ohio 45830
419-659-2141

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

	Years ended December 31,				
	2008	2007	2006	2005	2004
	(Dollars in thousands, except per share data)				
Statements of income:					
Total interest income	$ 35,208	$ 34,849	$ 32,790	$ 30,058	$ 26,985
Total interest expense	15,795	17,431	15,427	11,980	10,334
Net interest income	19,413	17,418	17,363	18,078	16,651
Provision for loan losses	2,195	625	340	612	577
Net interest income after provision for loan losses	17,218	16,793	17,023	17,466	16,074
Total non-interest income	2,674	2,965	3,157	2,611	3,023
Total non-interest expense (2)	14,462	14,018	14,001	14,222	15,533
Income before federal income taxes	5,430	5,740	6,179	5,855	3,564
Federal income taxes	1,011	1,161	1,252	1,233	476
Net income	$ 4,419	$ 4,579	$ 4,927	$ 4,622	$ 3,088
Per share of common stock:					
Net income - basic	$ 1.28	$ 1.30	$ 1.37	$ 1.26	$ 0.84
Dividends	0.60	0.56	0.52	0.48	0.44
Book value	14.72	13.99	12.93	12.09	11.99

Average shares outstanding – basic	3,447,536	3,527,093	3,598,747	3,674,352	3,670,981
Year end balances:					
Loans (3)	$ 418,385	$ 359,560	$ 335,549	$ 310,005	$ 306,591
Securities (4)	141,392	142,607	172,778	187,791	217,841
Total assets	616,064	547,975	550,375	536,209	559,323
Deposits	464,792	393,203	377,430	356,921	369,767
Shareholders' equity	50,660	48,819	46,152	43,793	44,229
Average balances:					
Loans (3)	$ 400,823	$ 345,532	$ 323,802	$ 311,107	$ 297,732
Securities (4)	133,409	155,773	180,572	200,903	195,444
Total assets	600,749	549,694	543,247	548,463	526,065
Deposits	443,174	386,572	361,670	365,142	378,485
Shareholders' equity	49,795	47,270	44,212	44,208	43,250
Selected ratios:					
Net yield on average interest-earning Assets (1)	3.64%	3.61%	3.63%	3.67%	3.59%
Return on average assets	0.74%	0.83%	0.91%	0.84%	0.59%
Return on average shareholders equity	8.87%	9.69%	11.14%	10.46%	7.14%
Net loan charge-offs as a percentage of average outstanding net loans	0.31%	0.19%	0.19%	0.24%	0.20%
Allowance for loan losses as a percentage of year end loans	0.76%	0.62%	0.68%	0.82%	0.90%
Shareholders' equity as a percentage of total assets	8.22%	8.91%	8.39%	8.17%	7.91%

Notes:

1) Net yield on average interest-earning assets was computed on a tax-equivalent basis.
2) Non-interest expense in 2004 includes a payment to the Company’s former CEO and a provision related to the Company’s stock option accounting. These two items reduced net income $825,000 ($0.23 per share).
3) Includes loans held for sale.
4) Includes Federal Home Loan Bank Stock.

The following discussion provides additional information relating to the financial condition and results of operations of United Bancshares, Inc.

EARNINGS SUMMARY

Consolidated net income for United Bancshares, Inc. (the "Corporation") and its wholly-owned subsidiary, The Union Bank Company (the "Bank") for 2008 was $4.4 million compared to $4.6 million in 2007 and $4.9 million in 2006. Basic net income per share was $1.28 in 2008, a decrease of $.02 per share (1.5%) from $1.30 in 2007. Basic net income per share was $1.30 in 2007, a decrease of $.07 per share (5.1%) from $1.37 in 2006.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

2008 Compared With 2007

Net interest income for 2008 was $19.4 million, an increase of $2.0 million (11.5%) from 2007. The increase in net interest income primarily resulted from a $1.6 million decrease in interest expense. The average yield on loans for 2008 decreased to 7.15% compared to 7.89% in 2007, and the average rate on interest-bearing liabilities decreased to 3.12% in 2008 from 3.77% in 2007. The net effect of these and other factors resulted in the net interest yield on average interest-earning assets, on a tax-equivalent basis, increasing slightly in 2008 to 3.64% from 3.61% in 2007.

At December 31, 2008, total loans (including loans held for sale) amounted to $418.4 million compared to $359.6 million December 31, 2007, an increase of $58.8 million (16.4%). Loans held for sale decreased to $242,000 at December 31, 2008 from $350,000 at December 31, 2007. Within the loan portfolio, residential real estate loans increased $19.6 million (17.8%), commercial loans increased $37.5 million (24.0%), and agriculture loans increased $8.4 million (12.7%), while consumer loans decreased $6.6 million (25.0%) during 2008. Most of the loan growth in 2008 was considered within the Corporation's primary lending area, defined as being less than 100 miles from one of the Corporation's banking centers. The decrease in consumer loans was partially due to the decision in late 2007 to limit indirect automobile lending.

The Corporation, through its bank subsidiary, elects to sell in the secondary market a substantial portion of the fixed rate residential real estate loans originated, and typically retains the servicing rights relating to such loans. During 2008, the net gain on sale of loans was $346,000, including $147,000 of capitalized servicing rights. The net gain on sale of loans was $330,000 in 2007, including $153,000 of capitalized servicing rights.

Securities, including Federal Home Loan Bank of Cincinnati (FHLB) stock, totaled $141.4 million at December 31, 2008, representing a decrease of $1.2 million (0.8%) from the comparative total of $142.6 million at December 31, 2007.

The Bank is required to maintain a certain level of FHLB stock based on outstanding borrowings from the FHLB. FHLB stock is considered a restricted security which is carried at cost and evaluated periodically for impairment.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

2008 Compared With 2007, Continued

Management monitors the earnings performance and liquidity of the securities portfolio on a regular basis through Asset/Liability Committee ("ALCO") meetings. As a result, all securities except FHLB stock have been designated as available-for-sale and may be sold if needed for liquidity, asset-liability management or other reasons. Such securities are reported at fair value, with any net unrealized gains or losses reported as a separate component of shareholders' equity, net of related income taxes. At December 31, 2008, net unrealized losses on available-for-sale securities, net of income taxes, amounted to $412,000. At December 31, 2008, the Bank held 76 securities which were in a loss position with the fair value and gross unrealized losses of such securities amounting to $43.4 million and $2.2 million, respectively. Management has considered the current interest rate environment, typical volatilities in the bond market, and the Bank's liquidity needs in the near term in concluding that the impairment on these securities is temporary.

Total deposits at December 31, 2008 amounted to $464.8 million, an increase of $71.6 million (18.2%) compared with total deposits of $393.2 million at December 31, 2007. Of this increase, $32.6 million was attributable to brokered time deposits and only $377,000 was related to non-interest bearing deposits.

The Bank also utilizes other borrowings as an alternative source of funding, as necessary, to support asset growth and periodic deposit shrinkage. Other borrowings, consisting of FHLB advances, securities sold under agreements to repurchase, and customer repurchase agreements, amounted to $86.3 million at December 31, 2008, compared to $91.9 million at December 31, 2007, a decrease of $5.6 million (6.1%).

The allowance for loan losses at December 31, 2008 was $3.2 million, or 0.76% of total loans, compared to $2.2 million, or 0.62% of total loans at December 31, 2007. The change in the allowance for loan losses during 2008 included a $2.2 million provision for loan losses charged to operations and loan charge-offs, net of recoveries, of $1.2 million.

The provision for loan losses charged to operations is determined by management after considering the amount of net losses incurred as well as management's estimation of losses inherent in the portfolio based on an evaluation of loan portfolio risk and current economic factors. The provision for loan losses of $2.2 million in 2008 compared to a provision of $625,000 in 2007. The increase in the provision for loan losses in 2008, as compared to 2007, resulted from many factors including an increase in the level of net loan charge-offs ($1.2 million in 2008 compared to $668,000 in 2007), loan portfolio growth, and an increase in the level of impaired loans during the year. Impaired loans and the amount of allowance for loan losses allocated to such loans amounted to $5.6 million and $1.1 million, respectively, at December 31, 2008, compared to $3.2 million and $367,000, respectively, at December 31, 2007.

Total non-interest income decreased $290,000 (9.8%) to $2.7 million in 2008 from $3.0 million in 2007. Significant non-recurring components of non-interest income include a gain from the sale of the Bank's credit card portfolio of $355,000 in 2007, as well as securities gains or losses. Security gains (losses) had a positive impact of $275,000 on income before income taxes with the Bank recognizing net securities gains of $49,000 in 2008 and net security losses of $226,000 in 2007.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

2008 Compared With 2007, Continued

Significant recurring components of non-interest income include service charges on deposit accounts, gains from the sale of loans, and other income, which includes increases in the cash surrender value of life insurance. Service charges on deposit accounts increased $43,000 (2.9%) to $1,515,000 in 2008 compared to $1,472,000 in 2007.

The net gain on sale of residential real estate loans increased $17,000 to $347,000 in 2008 from $330,000 in 2007 due to increased loan origination volume. During 2008, the Bank sold $22.2 million of residential real estate loans compared to $14.8 million in 2007. The increased loan sales activity in 2008 resulted from lower interest rates, especially during the latter part of the year, which caused an increase in refinancing and mortgage loan origination activity.

The Bank has elected to record mortgage servicing rights using the fair value measurement method. In 2008, the Corporation recognized a $649,000 decrease in the fair value of mortgage servicing rights compared to a $364,000 decrease in 2007. Prepayment assumptions are a significant assumption used in determining the fair value of the Bank's mortgage servicing rights. Due to the declines in the secondary market mortgage rates experienced during the fourth quarter of 2008, the prepayment assumptions used to determine the fair value of servicing increased dramatically which caused a significant decrease in the fair value of the Bank's servicing rights. Income from the increase in cash surrender value of life insurance increased $45,000 to $493,000 in 2008 from $448,000 in 2007.

Total non-interest expenses increased $445,000 (3.2%) to $14,463,000 in 2008. Included in non-interest expenses in 2008 was a $235,000 impairment loss relating to the Bank's downtown Lima branch office. Salaries, wages and benefits increased $387,000 (5.3%) to $7,628,000 in 2008 from $7,241,000 in 2007. Occupancy expenses, which include costs relating to the operation and maintenance of buildings, furnishings, and equipment, decreased $78,000 (5.2%) to $1,430,000 in 2008, from $1,508,000 in 2007. Other operating expenses increased $137,000 (2.6%) to $5,405,000 in 2008 compared to $5,268,000 in 2007. The significant components of other operating expenses are summarized in Note 12 to the consolidated financial statements.

The provision for income taxes for 2008 was $1,011,000 (effective rate of 18.6%) compared to $1,161,000 (effective rate of 20.2%) in 2007. This decrease resulted from a $311,000 decrease in income before taxes.

2007 Compared With 2006

Net interest income for 2007 was $17,418,000, an increase of $55,000 (0.3%) from 2006. Net interest income remained steady primarily due to the Corporation's ability to maintain net interest margin. The average yield on loans for 2007 increased to 7.89% compared to 7.55% in 2006, while the average rate on interest-bearing liabilities increased to 3.77% in 2007 from 3.34% in 2006. The net effect of these and other factors resulted in the net interest yield on average interest-earning assets, on a tax-equivalent basis, decreasing slightly in 2007 to 3.61% from 3.63% in 2006.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

2007 Compared With 2006, Continued

At December 31, 2007, total loans (including loans held for sale) amounted to $359.6 million compared to $335.5 million at December 31, 2006, an increase of $24.1 million (7.2%). Loans held for sale decreased to $350,000 at December 31, 2007 from $426,000 at December 31, 2006. Within the loan portfolio, residential real estate loans increased $5.8 million (5.6%), commercial loans increased $16.4 million (11.7%), agriculture loans increased $7.4 million (12.5%) and consumer loans decreased $4.0 million (13.3%) during 2007. During 2007, the Bank originated $5.3 million of consumer loans under the indirect automobile loan programs compared to $10.9 million in 2006. Also during 2007, the Bank sold its credit card portfolio, which amounted to $1,527,000 at December 31, 2006, and the sale resulted in gain of $355,000.

Net gain on sale of loans in 2007 was $330,000, including $153,000 of capitalized servicing rights, compared to $335,000 in 2006, including $207,000 of capitalized servicing rights.

Securities, including Federal Home Loan Bank of Cincinnati (FHLB) stock, totaled $142.6 million at December 31, 2007, representing a decrease of $30.2 million (17.5%) from total securities of $172.8 million at December 31, 2006. As part of its overall asset/liability management strategy, the Bank permitted the securities portfolio to shrink throughout 2007 as proceeds from the sale or maturity of securities were generally used to fund loan growth or repay long-term debt. Consequently, securities purchases were only $2.0 million in 2007 compared to $10.7 million in 2006. As part of the overall asset/liability management strategy, in 2007 the Bank approved management's plan to restructure the balance sheet which included the sale of $15.3 million in securities. While the sale of securities resulted in a loss of $226,000, the Bank used proceeds from the sale to pay down other borrowings.

At December 31, 2007, net unrealized losses on available-for-sale securities, net of income taxes, amounted to $576,000. At December 31, 2007, the Bank held 83 securities which were in a loss position with the fair value and gross unrealized losses of such securities amounting to $80.0 million and $1.3 million, respectively. Management has considered the current interest rate environment, typical volatilities in the bond market, and the Bank's liquidity needs in the near term in concluding that the impairment on such securities is temporary.

Total deposits at December 31, 2007 amounted to $393.2 million, an increase of $15.8 million (4.2%) compared with total deposits of $377.4 million at December 31, 2006. Of this increase, $3.4 million (8.9%) was related to non-interest bearing deposits.

Other borrowings, consisting of FHLB advances, securities sold under agreements to repurchase, and customer repurchase agreements, amount to $91.9 million at December 31, 2007 compared to $113.7 million at December 31, 2006, a decrease of $21.8 million (19.1%).

The allowance for loan losses at December 31, 2007 was $2.2 million (0.62% of total loans) compared to $2.3 million (0.68% of total loans) at December 31, 2006. The change in the allowance for loan losses during 2007 included a $625,000 provision for loan losses charged to operations, and loan charge-offs, net of recoveries, of $668,000.

FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

2007 Compared With 2006, Continued

The provision for loan losses of $625,000 in 2007 compared to $340,000 in 2006. The increase in the provision for loan losses in 2007 was largely due to an increase in total loans as well as an increase in the level of impaired loans from the beginning of 2007 to the end of 2007. Impaired loans and the amount of allowance for loan losses allocated to such loans amounted to $3.2 million and $367,000, respectively, at December 31, 2007, compared to $2.4 million and $286,000, respectively, at December 31, 2006.

Total non-interest income decreased $193,000 to $3.0 million in 2007 from $3.2 million in 2006. Service charges on deposit accounts increased $138,000 (10.4%) to $1,472,000 in 2007 compared to $1,334,000 in 2006 largely due to an increase in 2007 from non-sufficient funds and overdraft fees of $151,000 (12.9%) to $1.3 million in 2007 compared to $1.2 million in 2006.

The net gain on sale of residential real estate loans decreased $5,000 to $330,000 in 2007 from $335,000 in 2006 due to decreased loan origination volume. During 2007, the Bank sold $14.8 million of residential real estate loans compared to $20.8 million in 2006. The lower loan sales activity in 2007 resulted from a slower housing market and steady interest rates during 2007 resulting in less refinancing and mortgage loan origination activity.

In addition to the aforementioned sale of the credit card portfolio and securities sales, the Corporation also recognized a $364,000 decrease in the fair value of mortgage servicing rights during 2007. The Bank elected to record its mortgage servicing rights using the fair value measurement method effective January 1, 2007, as more fully described in Note 2 to the consolidated financial statements. As a result, the Corporation recognized a mark-to-market value adjustment of $786,954 effective January 1, 2007, representing the difference between fair market value and amortized cost, adjusted for impairment valuation, as of that date. Due to various factors in the secondary mortgage and national real estate markets, the fair value of the servicing rights declined during 2007. Income from the change in the cash surrender value of life insurance decreased $22,000 to $448,000 in 2007 from $470,000 in 2006.

Total non-interest expenses increased $16,000 (0.1%) to $14,017,000 in 2007. Salaries, wages and benefits, increased $127,000 (1.8%) to $7,241,000 in 2007 from $7,114,000 in 2006. Occupancy expenses, including costs relating to the operation and maintenance of buildings, furnishings, and equipment, increased $68,000 (4.7%) to $1,508,000 in 2007 from $1,440,000 in 2006.

Other operating expenses decreased $179,000 (3.3%) to $5,268,000 in 2007 compared to $5,447,000 in 2006. The significant components of other operating expenses are summarized in Note 12 to the consolidated financial statements. Data processing costs decreased $74,000 (7.6%) to $896,000 in 2007 from $970,000 in 2006. Advertising costs decreased $59,000 (13.5%) to $382,000 in 2007 compared to $441,000 in 2006.

The provision for income taxes for 2007 was $1,161,000 (effective rate of 20.2%) compared to $1,252,000 (effective rate of 20.3%) in 2006. This decrease resulted from a $438,000 decrease in income before taxes.

LIQUIDITY

Liquidity relates primarily to the Corporation's ability to fund loan demand, meet the withdrawal requirements of deposit customers, and provide for operating expenses. Assets used to satisfy these needs consist of cash and due from banks, federal funds sold, securities available-for-sale, and loans held for sale. A large portion of liquidity is provided by the ability to sell or pledge securities. Accordingly, the Corporation has designated all securities other than FHLB stock as available-for-sale. A secondary source of liquidity is provided by various lines of credit facilities available through correspondent banks and the Federal Reserve.

Another source of liquidity is represented by loans held for sale. Certain other loans within the Bank's loan portfolio are also available to collateralize borrowings.

The consolidated statements of cash flows for the years presented provide an indication of the Corporation's sources and uses of cash as well as an indication of the ability of the Corporation to maintain an adequate level of liquidity. A discussion of cash flows for 2008, 2007, and 2006 follows.

The Corporation generated cash from operating activities of $8.3 million in 2008, $7.1 million in 2007, and $5.4 million in 2006.

Net cash flows provided by (used in) investing activities amounted to $(60.9) million in 2008, $4.9 million in 2007, and $(13.8) million in 2006. Investing cash outflows of $60.4 in 2008 were used to fund loan growth. Other significant investing cash flow activities in 2008 included $1.7 million of net cash inflows from securities activity, and $2.5 million of premises and equipment purchases. Most of the 2008 premises and equipment additions were related to the reconstruction of the Ottawa branch office and the purchase and renovation of the new Lima Shawnee branch office. Cash flows used for investing activities in 2007 included $26.8 million of loan portfolio growth offset by $31.1 million in proceeds from the sales or maturities of available-for-sale securities, net of related purchases. Generation of cash flows from investing activities in 2006 included $26.3 million of loan portfolio growth offset by $13.5 million in proceeds from the sales or maturities of available-for-sale securities, net of related purchases.

Net cash flows provided by (used in) financing activities amounted to $63.2 million in 2008, $(9.2) million in 2007, and $10.6 million in 2006. Deposit growth provided a $71.6 million financing funding source in 2008. Cash outflows from financing activities in 2008 included a $5.6 million net reduction in other borrowings, $775,000 for the purchase of 55,000 shares of stock under the Corporation's stock buyback program, and the payment of $2.1 million ($.60 per share) of cash dividends. The use of cash flow for financing activities in 2007 primarily resulted from a $21.8 million net reduction in other borrowings, $1.3 million for the purchase of 86,500 shares of stock under the Corporation's stock buyback program, and the payment of $2.0 million ($.56 per share) of cash dividends, offset by customer deposit growth of $15.8 million. The net cash provided by financing activities in 2006 primarily resulted from customer deposit growth of $20.8 million offset by $7.2 million of principal payments on long-term debt, net of borrowings, $1.1 million for the purchase of 71,177 shares of stock under the Corporation's stock buyback program, and the payment of $1.9 million ($.52 per share) of cash dividends.

ASSET LIABILITY MANAGEMENT

Closely related to liquidity management is the management of interest-earning assets and interest-bearing liabilities. The Corporation manages its rate sensitivity position to avoid wide swings in net interest margins and to minimize risk due to changes in interest rates.

The difference between a financial institution's interest rate sensitive assets (assets that will mature or reprice within a specific time period) and interest rate sensitive liabilities (liabilities that will mature or reprice within the same time period) is commonly referred to as its "interest rate sensitivity gap" or, simply, its "gap". An institution having more interest rate sensitive assets than interest rate sensitive liabilities within a given time interval is said to have a "positive gap". This generally means that when interest rates increase, an institution's net interest income will increase and when interest rates decrease, the institution's net interest income will decrease. An institution having more interest rate sensitive liabilities than interest rate sensitive assets within a given time interval is said to have a "negative gap". This generally means that when interest rates increase, the institution's net interest income will decrease and when interest rates decrease, the institution's net interest income will increase. The Corporation's one year cumulative gap at December 31, 2008 is approximately 102% which means the Bank has more assets than it does liabilities re-pricing within one year.

EFFECTS OF INFLATION

The assets and liabilities of the Corporation are primarily monetary in nature and are more directly affected by fluctuations in interest rates than inflation. Movement in interest rates is a result of the perceived changes in inflation as well as monetary and fiscal policies. Interest rates and inflation do not necessarily move with the same velocity or within the same period; therefore, a direct relationship to the inflation rate cannot be shown. The financial information presented in the Corporation's consolidated financial statements has been presented in accordance with generally accepted accounting principles, which require that the Corporation measure financial position and operating results primarily in terms of historical dollars.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the commercial banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements. These estimates, assumptions, and judgments are based upon the information available as of the date of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation's most significant accounting policies are presented in Note 1 to the consolidated financial statements. These policies, along with other disclosures presented in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis, provide information about how significant assets and liabilities are valued in the financial statements and how those values are determined. Management has identified the determination of the allowance for loan losses, the valuation of mortgage servicing right and goodwill as the areas that require the most subjective and complex estimates, assumptions and judgments and, as such, could be the most subjective to revision as new information becomes available. The Bank utilizes an outside consultant to provide a valuation of Mortgage Servicing Rights on a quarterly basis. Management reviews the valuation, including assumptions used in making the valuation and discusses with the outside consultant. Annually, Management performs an impairment analysis on goodwill which was acquired as a result of the 2003 RFCBC branch acquisitions by estimating the Corporation's implied value based upon recent financial institution merger and acquisition transactions. To date, none of the goodwill evaluations have revealed the need for an impairment charge.

As previously noted, a detailed analysis to assess the adequacy of the allowance for loan losses is performed. This analysis encompasses a variety of factors including the potential loss exposure for individually reviewed loans, the historical loss experience for each loan category, the volume of non-performing loans, the volume of loans past due 30 days or more, a segmentation of each loan category by internally-assigned risk grades, an evaluation of current local and national economic conditions, any significant changes in the volume or mix of loans within each category, a review of the significant concentrations of credit, and any legal, competitive, or regulatory concerns.

Servicing assets are recognized as separate assets when rights are acquired through sale of mortgage loans. Effective January 1, 2007, capitalized servicing rights are carried at fair value. 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. The Bank generally estimates fair value for servicing rights based on the present value of future expected cash flows, using management's best estimates of the key assumptions – credit losses, prepayment speeds, servicing costs, and discount rates commensurate with the risks involved.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

As described in Note 20 to the consolidated financial statements, in February 2007 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (Statement 159). Statement 159 provides an option to report selected financial assets and liabilities at fair value and requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the balance sheet. There was no impact on the Corporation's 2008 consolidated financial statements as a result of Statement 159 since the Corporation did not elect the fair value option for any eligible items.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Also as described in Note 20 to the consolidated financial statements, the Corporation adopted the provisions of SFAS No. 157, Fair Value Measurements (Statement 157) in 2008. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Statement 157 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, and both able and willing to transact.

Statement 157 requires the use of valuation techniques that are consistent with the market, income, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Inputs to valuation techniques may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In that regard, Statement 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

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

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

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Financial assets (there were no financial liabilities) measured at fair value as of December 31, 2008 consisted of securities available-for-sale, mortgage servicing rights (recurring) and impaired loans (non-recurring). The Corporation's available-for-sale securities, amounting to $136.5 million at December 31, 2008, are all classified as Level 2. Examples of securities which would generally be classified within Level 2 include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. The Corporation's mortgage servicing rights, amounting to $704,000 at December 31, 2008, are classified as Level 3 because of the extent of significant unobservable inputs used to calculate their fair value.

The Corporation does not record impaired loans at fair value on a recurring basis. However, periodically, loans are identified by management as impaired as part of the ongoing analysis of the allowance for loan losses. These loans are generally reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs, including recent appraisals and Level 3 inputs based on customized discounting criteria. Due to the significance of the Level 3 inputs, the fair value of impaired loans, amounting to $4.5 million at December 31, 2008, has been classified as level 3.

Nonfinancial assets and nonfinancial liabilities measured at fair value on a recurring basis include reporting units measured at fair value in the first step of a goodwill impairment test. Nonfinancial assets measured at fair value on a nonrecurring basis include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, as well as intangible assets and other nonfinancial long-lived assets measured at fair value for impairment assessment. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, Effective Date of FASB Statement No. 157, the Corporation has delayed application of Statement 157 for nonfinancial assets and nonfinancial liabilities until January 1, 2009.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND CONTINGENT LIABILITIES AND COMMITMENTS

The following table summarizes loan commitments, including letters of credit, as of December 31, 2008:

		Amount of commitment to expire per period			
	Total Amount	Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
	(Dollars in thousands)				
Type of commitment					
Commercial lines-of-credit	$ 44,091	$ 39,420	$ 2,627	$ 1,310	$ 734
Real estate lines-of-credit	41,682	5,780	6,413	8,347	21,142
Consumer lines-of-credit	19	8	11	-	-
Letters of Credit	1,845	1,845			
Guarantees	-	-	-	-	-
Total commitments	$ 87,637	$ 47,053	$ 9,051	$ 9,657	$ 21,876

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

As indicated in the preceding table, the Corporation had $87.6 million in total loan commitments at December 31, 2008, with $47.1 million of that amount expiring within one year. All lines-of-credit represent either fee-paid or legally binding loan commitments for the loan categories noted. Letters-of-credit are also included in the amounts noted in the table since the Corporation requires that each letter-of-credit be supported by a loan agreement. The commercial and consumer lines represent both unsecured and secured obligations. The real estate lines are secured by mortgages in residential and nonresidential property. Many of the commercial lines are due on a demand basis, and are established for seasonal operating purposes. It is anticipated that a significant portion of these lines will expire without being drawn upon.

The following table summarizes the Corporation's contractual obligations as of December 31, 2008:

		Payments due by period			
	Total Amount	Less than 1 year	1– 3 years	4 – 5 years	Over 5 years
	(Dollars in thousands)				
Contractual obligations					
Long-term debt	$ 90,964	$ 19,490	$ 38,565	$ 5,053	$ 27,856
Capital leases	-	-	-	-	-
Operating leases	-	-	-	-	-
Unconditional purchase obligations	-	-	-	-	-
Other long-term liabilities reflected under GAAP	328	11	43	61	213
Total obligations	$ 91,292	$ 19,501	$ 38,608	$ 5,114	$ 28,069

Long-term debt presented in the preceding table is comprised of $75.7 million in borrowings from the FHLB, $5.0 million in securities sold under agreements to repurchase and $10.3 million from the issuance of junior subordinated deferrable interest debentures.

FHLB borrowings include notes that require monthly interest payments, with principal on most issues due at maturity. The remaining FHLB issues require monthly principal payments as disclosed in Note 10 to the consolidated financial statements. FHLB borrowings include $64.2 million in advances with fixed interest rates and $11.5 million in advances with variable interest rates. While the variable rate obligations may be prepaid without penalty, certain of the fixed rate obligations have variable options, that stipulate a prepayment penalty if the note's interest rate exceeds the current market rate for similar borrowings at the time of repayment. As a note matures, the Bank evaluates the liquidity and interest-rate circumstances at that point in time to determine whether to pay-off or renew the note. The evaluation process typically includes the strength of current and projected customer loan demand, the current federal funds sold or purchased position, projected cash flows from maturing securities, the current and projected market interest rate environment, local and national economic conditions, and customer demand for deposit product offerings. Fixed rate advances include $22.5 million in advances that can be put back at the option of the FHLB.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The other long-term liabilities reflected under GAAP, as noted in the preceding table, represents the Bank's agreement with its current Chairman of the Board of Directors to provide for retirement compensation benefits as more fully described in Note 15 of the consolidated financial statements. At December 31, 2008, the net present value of future deferred compensation payments amounted to $328,000. Such amount is included in other liabilities in the December 31, 2008 consolidated balance sheet.

As indicated in the table, the Corporation had no capital lease obligations as of December 31, 2008. The Corporation has certain operating lease obligations, including photocopying equipment, which is considered immaterial and not included in the preceding table. The Bank also has a non-qualified deferred compensation plan covering certain directors and officers, and has provided an estimated liability of $518,000 at December 31, 2008 for supplemental retirement benefits. Since substantially all participants under the plan are still active, it is not possible to determine the terms of the contractual obligations and, consequently, such liability is not included in the table.

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 200 basis points.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (CONTINUED)

The following table shows the Corporation's estimated earnings sensitivity profile as of December 31, 2008:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income	Percentage Change in Net Income
+200	1.6%	7.1%
-200	1.9%	6.5%

Given a linear 200bp increase in the yield curve used in the simulation model, it is estimated that net interest income for the Corporation would increase by 1.6% and net income would increase by 7.1%. A 200bp decrease in interest rates would increase net interest income by 1.9% and increase net income by 6.5%. Management does not expect any significant adverse effect to net interest income in 2009 based on the composition of the portfolio and anticipated trends in rates.

OTHER INFORMATION

The global and U.S. economies are experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system during the past year. Dramatic declines in the housing market, along with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail.

Reflecting concern about the stability of the financial markets, many national and regional lenders have reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions. The availability of credit, confidence in the financial sector, and level of volatility in the financial markets have been significantly adversely affected as a result. In recent months, volatility and disruption in the capital and credit markets have reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength.

In response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, the Emergency Economic Stabilization Act of 2008 ("EESA") was signed into law on October 3, 2008. The EESA authorizes the U.S. Treasury Department ("Treasury") to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The EESA also provides a temporary increase in deposit insurance coverage from $100,000 to $250,000 per insured account until December 31, 2009.

OTHER INFORMATION (CONTINUED)

On October 14, 2008, Secretary Paulson, after consulting with the Federal Reserve and the FDIC, announced that the Treasury will purchase equity stakes in certain banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), the Treasury will make capital available to U.S. financial institutions in the form of preferred stock (from the $700 billion authorized by EESA). In conjunction with the purchase of preferred stock, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program.

The Corporation received preliminary approval from the Treasury to participate in the TARP Capital Purchase Program on February 5, 2009. Following preliminary approval, the Corporation and Treasury began negotiating terms of a letter agreement that will govern the transaction under the program. However, before executing the letter agreement with Treasury, the Corporation must have the ability to issue the preferred shares that will be issued to Treasury under the program. Thus, in order for the Corporation to participate in the program, its shareholders must first approve an amendment to Article IV of the Corporation's Amended and Restated Articles of Incorporation authorizing the Corporation to issue preferred shares. Following shareholder approval of the proposed amendment, if obtained, the Corporation and Treasury will finalize and execute the letter agreement and related documents necessary to consummate the transaction. Shortly thereafter, the Board of Directors will file an additional amendment to the Corporation's Amended and Restated Articles of Incorporation to designate the terms of the preferred shares that will be issued to Treasury. The Corporation will then issue the shares of preferred stock and a warrant to purchase shares of common stock to Treasury in exchange for approximately $13,000,000.

For more information on the Corporation's possible participation in the TARP Capital Purchase Program, see the discussions in the Corporation's Notice of Annual Meeting of Shareholders for the meeting to be held April 22, 2009.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements by the Corporation relating to such matters as anticipated operating results, prospects for new lines of business, technological developments, economic trends (including interest rates), and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements, and the purpose of this paragraph is to secure the use of the safe harbor provisions. While the Corporation believes that the assumptions underlying the forward looking statements contained herein and in other public documents are reasonable, any of the assumptions could prove to be inaccurate, and accordingly, actual results and experience could differ materially from the anticipated results or other expectations expressed by the Corporation in its forward-looking statements. Factors that could cause actual results or experience to differ from results discussed in the forward-looking statements include, but are not limited to: economic conditions, volatility and direction of market interest rates, governmental legislation and regulation, material unforeseen changes in the financial condition or results of operations of the Corporation's customers, customer reaction to and unforeseen complications with respect to the integration of acquisition, product design initiative, and other risks identified, from time-to-time in the Corporation's other public documents on file with the Securities and Exchange Commission.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of United Bancshares, Inc. and its subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Bancshares, Inc. and its subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/Clifton Gunderson LLP

Toledo, Ohio
March 11, 2009

Offices in 16 states and Washington, DC

UNITED BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007

ASSETS	2008	2007
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 18,554,222	$ 11,627,842
Interest-bearing deposits in other banks	6,932,446	3,290,372
Federal funds sold	135,625	161,000

Total cash and cash equivalents	25,622,293	15,079,214
SECURITIES, available-for-sale	136,498,302	137,904,385
FEDERAL HOME LOAN BANK STOCK, at cost	4,893,800	4,703,100
LOANS HELD FOR SALE	241,838	350,353
LOANS	418,143,370	359,209,925
Less allowance for loan losses	3,198,130	2,232,708
Net loans	414,945,240	356,977,217
PREMISES AND EQUIPMENT, net	9,296,614	7,902,911
GOODWILL	7,282,013	7,282,013
OTHER INTANGIBLE ASSETS, net	317,555	571,535
CASH SURRENDER VALUE OF LIFE INSURANCE	11,889,832	11,396,781
OTHER ASSETS, including accrued interest receivable	5,076,496	5,807,281
TOTAL ASSETS	$ 616,063,983	$ 547,974,790
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 41,710,057	$ 41,333,497
Interest-bearing	423,081,587	351,869,746
Total deposits	464,791,644	393,203,243
Other borrowings	86,252,383	91,887,907
Junior subordinated deferrable interest debentures	10,300,000	10,300,000
Other liabilities	4,060,241	3,765,056
Total liabilities	565,404,268	499,156,206
SHAREHOLDERS' EQUITY		
Common stock, stated value $1.00. 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	37,528,026	35,187,304
Accumulated other comprehensive loss	(412,304)	(576,065)
Treasury stock, at cost, 318,894 shares in 2008 and 271,152 shares in 2007	(4,876,225)	(4,212,873)
Total shareholders' equity	50,659,715	48,818,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 616,063,983	$ 547,974,790

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

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
INTEREST INCOME			
Loans, including fees	$ 28,671,468	$ 27,244,143	$ 24,454,275
Securities:			
Taxable	4,208,541	5,383,263	6,371,083
Tax-exempt	1,911,630	1,848,089	1,890,500
Other	416,252	373,249	73,862
Total interest income	35,207,891	34,848,744	32,789,720
INTEREST EXPENSE			
Deposits	11,114,853	12,002,116	9,191,978
Borrowings	4,680,343	5,428,500	6,234,505
Total interest expense	15,795,196	17,430,616	15,426,483
Net interest income	19,412,695	17,418,128	17,363,237
PROVISION FOR LOAN LOSSES	2,195,000	625,000	340,000
Net interest income after provision for loan losses	17,217,695	16,793,128	17,023,237
NON-INTEREST INCOME			
Service charges on deposit accounts	1,515,441	1,471,797	1,333,666
Gain on sale of loans	346,267	329,584	334,707
Gain from sale of credit card portfolio	-	355,366	-
Net securities gains (losses)	49,055	(226,416)	(4,180)
Change in fair value of mortgage servicing rights	(649,091)	(363,943)	-
Increase in cash surrender value of life insurance	493,051	447,691	470,012
Other operating income	919,684	950,604	1,023,126
Total non-interest income	2,674,407	2,964,683	3,157,331
NON-INTEREST EXPENSES			
Salaries, wages and employee benefits	7,627,730	7,241,102	7,113,970
Occupancy expenses	1,430,037	1,508,337	1,440,626
Other operating expenses	5,404,738	5,267,994	5,447,167
Total non-interest expenses	14,462,505	14,017,433	14,001,763
Income before income taxes	5,429,597	5,740,378	6,178,805
PROVISION FOR INCOME TAXES	1,011,000	1,161,000	1,252,000
NET INCOME	$ 4,418,597	$ 4,579,378	$ 4,926,805
NET INCOME PER SHARE (basic and diluted)	$ 1.28	$ 1.30	$ 1.37

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

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2008, 2007 and 2006

	Common stock	Surplus	Retained earnings	Accumulated other compre-hensive loss	Treasury stock	Total
BALANCE AT DECEMBER 31, 2005	$ 3,760,557	$ 14,651,596	$ 29,026,911	$ (1,521,648)	$ (2,124,903)	$ 43,792,513
Comprehensive Income:						
Net income	-	-	4,926,805	-	-	4,926,805
Change in net unrealized loss, net of reclassification adjustment and income taxes	-	-	-	169,617	-	169,617
Total comprehensive income						5,096,422
Exercise of stock options – 9,802 treasury shares	-	8,065	-	-	150,559	158,624
Sale of 7,975 treasury shares	-	-	(12,045)	-	122,053	110,008
Purchase of 71,177 shares	-	-	-	-	(1,135,944)	(1,135,944)
Cash dividends declared, $.52 per share	-	-	(1,869,135)	-	-	(1,869,135)
BALANCE AT DECEMBER 31, 2006	3,760,557	14,659,661	32,072,536	(1,352,031)	(2,988,235)	46,152,488
Cumulative effect of change in accounting principle, net of income taxes	-	-	519,152	-	-	519,152
Comprehensive income:						
Net income	-	-	4,579,378	-	-	4,579,378
Change in net unrealized loss, net of reclassification adjustments and income taxes	-	-	-	775,966	-	775,966
Total comprehensive income						5,355,344
Sale of 7,856 treasury shares	-	-	(14,355)	-	122,512	108,157
Purchase of 86,500 shares	-	-	-	-	(1,347,150)	(1,347,150)
Cash dividends declared, $.56 per share	-	-	(1,969,407)	-	-	(1,969,407)
BALANCE AT DECEMBER 31, 2007	3,760,557	14,659,661	35,187,304	(576,065)	(4,212,873)	48,818,584
Comprehensive income:						
Net income	-	-	4,418,597	-	-	4,418,597
Change in net unrealized loss, net of reclassification adjustments and income taxes	-	-	-	163,761	-	163,761
Total comprehensive income						4,582,358
Sale of 7,258 treasury shares	-	-	(13,189)	-	111,898	98,709
Purchase of 55,000 shares	-	-	-	-	(775,250)	(775,250)
Cash dividends declared, $0.60 per share	-	-	(2,064,686)	-	-	(2,064,686)
BALANCE AT DECEMBER 31, 2008	$ 3,760,557	$ 14,659,661	$ 37,528,026	$ (412,304)	$ (4,876,225)	$ 50,659,715

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 4,418,597	$ 4,579,378	$ 4,926,805
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,127,182	1,242,859	1,098,767
Provision (credit) for accrued compensation – stock options	(11,286)	(42,141)	13,858
Deferred income taxes	(543,362)	(202,482)	221,922
Provision for loan losses	2,195,000	625,000	340,000
Gain on sale of loans	(346,267)	(329,584)	(334,707)
Gain from sale of credit card portfolio	-	(355,366)	-
Net securities losses (gains)	(49,055)	226,416	4,180
Change in fair value of mortgage servicing rights	649,091	363,943	-
Federal Home Loan Bank stock dividends	(190,700)	-	(263,500)
Loss (gain) on sale or write-down of other real estate owned	68,716	(38,421)	-
Increase in cash surrender value of life insurance	(493,051)	(447,691)	(470,012)
Net amortization (accretion) of security premiums and discounts	(9,578)	(20,658)	23,643
Provision for deferred compensation	144,988	66,450	73,813
Loss on disposal or write-down of premises and equipment	275,925	70,512	1,076
Proceeds from sale of loans held-for-sale	16,300,343	14,845,905	20,790,433
Originations of loans held-for-sale	(15,992,527)	(14,593,279)	(20,648,310)
Decrease (increase) in other assets	248,732	549,280	(674,372)
Increase in other liabilities	502,285	509,978	251,051
Net cash provided by operating activities	8,295,033	7,050,099	5,354,647
CASH FLOWS FROM INVESTING ACTIVITIES			-
Proceeds from sales of available-for-sale securities	1,565,930	15,303,741	3,665,673
Proceeds from maturities of available-for-sale securities, including paydowns on mortgage-backed securities	28,149,767	17,791,602	20,546,021
Purchases of available-for-sale securities	(28,002,858)	(1,955,062)	(10,681,334)
Proceeds from sale of credit card portfolio	-	1,671,538	-
Net increase in loans	(60,379,189)	(26,280,256)	(26,338,386)
Proceeds from sale of premises and equipment	15,634	100,344	-
Proceeds from sale of other real estate owned	179,299	241,421	-
Purchases of premises and equipment	(2,464,385)	(1,944,256)	(991,969)

Net cash provided by (used in) investing activities	(60,935,802)	4,929,072	(13,799,995)

UNITED BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006

	2008	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	$ 71,588,401	$ 15,773,370	$ 20,590,240
Other borrowings:			
Proceeds	37,000,000	22,500,000	35,000,000
Repayments	(45,684,111)	(46,593,130)	(42,246,027)
Change in customer repurchase agreements	3,048,587	2,329,998	209,672
Purchase of common stock	(775,250)	(1,347,150)	(1,135,944)
Proceeds from sale of treasury shares	98,709	108,157	110,008
Payments of deferred compensation	(27,802)	(12,414)	(17,215)
Cash dividends paid	(2,064,686)	(1,969,407)	(1,869,135)
Net cash provided by (used in) financing activities	63,183,848	(9,210,576)	10,641,599
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,543,079	2,768,595	2,196,251
CASH AND CASH EQUIVALENTS			
At beginning of year	15,079,214	12,310,619	10,114,368
At end of year	$ 25,622,293	$ 15,079,214	$ 12,310,619
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Cash paid during the year for:			
Interest	$ 15,678,869	$ 17,363,004	$ 14,979,544
Federal income taxes	$ 1,655,000	$ 1,000,000	$ 1,264,799
Non-cash operating activity:			
Change in deferred income taxes on net unrealized loss on available-for-sale securities	$ (84,362)	$ (399,740)	$ (87,378)
Cumulative effect of change in accounting principle – adjust mortgage servicing rights to fair value, net of deferred income taxes	$ -	$ 519,152	$ -
Non-cash investing activities:			
Transfer of loans to foreclosed assets	$ 140,740	$ 148,000	$ 50,000
Transfer of premises classified as held for sale to other assets	$ 320,309	$ -	$ -
Change in net unrealized gain or loss on available-for-sale securities	$ 248,123	$ 1,175,706	$ 256,995
Non-cash financing activities:			

Treasury stock issued for accrued compensation – stock options	$ -	$ -	$ 158,624

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

UNITED BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Bancshares, Inc. (the "Corporation") was incorporated in 1985 in the state of Ohio as a single-bank holding company for The Union Bank Company (the "Bank"). The Corporation subsequently acquired the Bank of Leipsic Company ("Leipsic") in 2000, and Citizens Bank of Delphos ("Citizens") in 2001. The Bank acquired the Gibsonburg and Pemberville, Ohio branch offices of RFC Banking Company in 2003. Effective February 1, 2007, the Bank formed a wholly-owned subsidiary, UBC Investments, Inc. ("UBC") to hold and manage its securities portfolio. The operations of UBC are located in Wilmington, Delaware. The Corporation, through its wholly-owned subsidiary, the Bank, operates in one industry segment, the commercial banking industry.

The Bank, organized in 1904 as an Ohio-chartered bank, is headquartered in Columbus Grove, Ohio, with branch offices in Bowling Green, Delphos, Gibsonburg, Kalida, Leipsic, Lima, Ottawa, and Pemberville, Ohio.

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

Significant accounting policies followed by the Corporation are presented below.

Use of Estimates in Preparing Financial Statements

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and Bank, including UBC. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

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

Restrictions on Cash

The Bank was required to maintain cash on hand or on deposit with the Federal Reserve Bank in the amount of $389,000 at December 31, 2008 and $353,000 at December 31, 2007 to meet

regulatory reserve and clearing requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities and Federal Home Loan Bank Stock

Securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as accumulated other comprehensive income (loss).

The cost of available-for-sale securities is adjusted for amortization of premiums and accretion of discounts to maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in fair value of securities below their cost that are deemed to be other than temporary are reflected in income as realized losses. Gains and losses on the sale of securities are recorded on the trade date, using the specific identification method, and are included in non-interest income.

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

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Estimated fair value is determined based on quoted market prices in the secondary market. Any net unrealized losses are recognized through a valuation allowance by charges to income. Such valuation allowance amounted to $7,354 at December 31, 2007 (none at December 31, 2008).

Mortgage loans held for sale are sold with mortgage servicing rights retained or released by the Bank. The carrying value of mortgage loans sold with servicing rights retained is reduced by the cost allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in estimates will occur in the near term and that such changes could be material to the amounts reported in the Corporation's financial statements.

The allowance consists of specific, general and unallocated components. The specific component relates to impaired loans when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers classified loans (doubtful, substandard or special mention) without specific reserves, as well as non-classified loans, and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and fair value adjustments are included in other operating expenses. Foreclosed assets amounting to $250,000 and $357,274 at December 31, 2008 and 2007, respectively, are included in other assets in the accompanying consolidated balance sheets.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Loan Sales and Servicing

When the Bank sells mortgage loans it may retain the servicing rights that are initially measured at fair value. Gain or loss on the sale of loans depends in part on both the previous carrying value of the amount of the financial assets involved in the sale, allocated between assets sold and the interests that continue to be held based on their relative fair values at the date of the sale. The Bank generally estimates fair value for servicing rights based on the present value of future expected cash flows, using management's best estimates of the key assumptions – credit losses, prepayment speeds, servicing costs, and discount rates commensurate with the risks involved.

Effective January 1, 2007, capitalized servicing rights are carried at fair value, as described in Note 2. 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.

Prior to January 1, 2007, capitalized servicing rights were carried at amortized cost, with amortization in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loans. Servicing assets were evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment was determined by stratifying rights by predominant characteristics, such as interest rates and terms. Impairment was recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Servicing fee income is recorded for servicing loans, based on a contractual percentage of the outstanding principal, and is reported as other operating income. Amortization of mortgage servicing rights is netted against loan servicing fee income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

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

Goodwill and Other Intangible Assets

Goodwill arising from the Gibsonburg and Pemberville branch acquisitions is not amortized, but is subject to an annual impairment test to determine if an impairment loss has occurred.

Other intangible assets determined to have a definite life are amortized on a straight-line basis over the estimated useful lives of the individual assets which range from 7 to 10 years.

Supplemental Retirement Benefits

Annual provisions are made for the estimated liability for accumulated supplemental retirement benefits under agreements with certain officers and directors.

Advertising Costs

All advertising costs are expensed as incurred.

Federal Income Taxes

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

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

The Bank is not currently subject to state and local income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets

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

Per Share Data

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options, and are determined using the treasury stock method.

The weighted average number of shares used for the years ended December 31, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Basic	3,447,536	3,527,093	3,598,747
Diluted	3,448,467	3,527,729	3,605,739

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

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rate Lock Commitments

The Financial Accounting Standards Board has determined that loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments.

The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are to be recorded at fair value as derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates. At December 31, 2008 and 2007, derivative assets and liabilities relating to rate lock commitments were not material to the consolidated financial statements.

NOTE 2 - CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

In March 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 156, "Accounting for Servicing of Financial Assets, an Amendment of Statement No. 140" (Statement 156). Statement 156 requires that all separately recognized servicing assets and liabilities be initially measured at fair value, if practicable, and subsequently measured using either the amortization method or fair value measurement method. Under the amortization method, servicing assets and liabilities are amortized over the period of estimated net servicing income or loss, and servicing assets are evaluated for impairment at each reporting date. Under the fair value measurement method, servicing assets and liabilities are measured at fair value at each reporting date and changes in fair value are reported in earnings for the period the changes occur.

Effective January 1, 2007, the Bank adopted Statement 156 and elected to record its mortgage servicing rights using the fair value measurement method. As a result, the Corporation recorded effective January 1, 2007, a cumulative effect adjustment to retained earnings of $519,152 representing the difference between fair value and carrying value of the mortgage servicing rights at January 1, 2007 of $786,594, net of deferred income taxes of $267,442.

NOTE 3 - SECURITIES

The amortized cost and fair value of securities as of December 31, 2008 and 2007 are as follows:

	2008		2007	
	Amortized cost	Fair value	Amortized cost	Fair value
Available-for-sale:				
U.S. Government and agencies	$ -	$ -	$ 13,210,944	$ 13,234,748
Obligations of states and political subdivisions	47,296,096	46,522,557	44,286,656	44,362,186
Mortgage-backed	89,325,021	89,475,746	81,277,723	80,305,563
Other	501,888	499,999	1,888	1,888
Total	$ 137,123,005	$ 136,498,302	$ 138,777,211	$ 137,904,385

A summary of unrealized gains and losses on investment securities at December 31, 2008 and 2007 follows:

	2008		2007	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
Available-for-sale:				
U.S. Government and agencies	$ -	$ -	$ 28,209	$ 4,405
Obligations of states and political subdivisions	330,224	1,103,763	322,052	246,522
Mortgage-backed	1,282,487	1,131,762	102,458	1,074,618
Other	-	1,889	-	-
Total	$ 1,612,711	$ 2,237,414	$ 452,719	$ 1,325,545

The amortized cost and fair value of securities at December 31, 2008, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Fair value
Due in one year or less	$ 737,071	$ 748,618
Due after one year through five years	8,553,199	8,672,438
Due after five years through ten years	19,465,501	19,536,743
Due after ten years	107,865,346	107,040,504
Other securities having no maturity date	501,888	499,999
Total	$137,123,005	$136,498,302

Securities with a carrying value of approximately $90,153,000 at December 31, 2008 and $97,160,000 at December 31, 2007 were pledged to secure public deposits and for other

purposes as required or permitted by law, including those described in Note 10.

NOTE 3 - SECURITIES (CONTINUED)

The following table presents gross unrealized losses and fair value of debt securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2008 and 2007:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
2008	Unrealized losses	Fair value	Unrealized Losses	Fair value	Unrealized losses	Fair value
U.S. Government and agencies	$ -	$ -	$ -	$ -	$ -	$ -
Obligations of states and political subdivisions	1,080,385	22,266,312	23,378	364,622	1,103,763	22,630,934
Mortgage-backed	712,045	14,482,783	419,717	6,331,491	1,131,762	20,814,274
Total temporarily impaired securities	$1,792,430	$36,749,095	$ 443,095	$ 6,696,113	$2,235,525	$43,445,208
2007						
U.S. Government and agencies	$ -	$ -	$ 4,405	$ 495,595	$ 4,405	$ 495,595
Obligations of states and political subdivisions	204,368	16,424,792	42,154	3,342,502	246,522	19,767,294
Mortgage-backed	73,719	12,090,359	1,000,899	47,680,792	1,074,618	59,771,151
Total temporarily impaired securities	$278,087	$28,515,151	$1,047,458	$51,518,889	$1,325,545	$80,034,040

There were 76 securities in an unrealized loss position at December 31, 2008, 12 of which were in a continuous unrealized loss position for twelve months or more. Management has considered industry analyst reports, whether downgrades by bond rating agencies have occurred, sector credit reports, issuer's financial condition and volatility in the bond market in concluding that the unrealized losses as of December 31, 2008 were primarily the result of customary and expected fluctuations in the bond market. As a result, all security impairments as of December 31, 2008 are considered to be temporary.

Gross realized gains from sale of securities, including securities calls, amounted to $50,887 in 2008, $181 in 2007, and $2,167 in 2006, with the income tax provision applicable to such gains amounting to $17,301 in 2008, $62 in 2007, and $737 in 2006. Gross realized losses from sale of securities amounted to $1,832 in 2008, $226,597 in 2007 and $6,347 in 2006 with related income tax effect of $623 in 2008, $77,043 in 2007 and $2,158 in 2006.

NOTE 4 - LOANS

Loans at December 31, 2008 and 2007 consist of the following:

	2008	2007
Residential real estate	$130,047,210	$110,420,280
Commercial	193,781,134	156,299,179
Agriculture	74,651,951	66,266,595
Consumer	19,663,075	26,223,871
Total loans	$418,143,370	$359,209,925

In March 2007, the Bank entered into an agreement to sell its credit card portfolio. Under the terms of the agreement, the buyer will service the credit card portfolio and provide the Bank's former credit card customers with credit cards branded with the Bank's name. Based on the proceeds received under the terms of the agreement, the Bank recognized a gain from sale of the credit card portfolio of $355,366.

Fixed rate loans approximated $83,364,000 at December 31, 2008 and $95,564,000 at December 31, 2007, including loans classified as held-for-sale. Certain commercial and agricultural loans are secured by real estate.

Impaired loans were as follows as of December 31, 2008 and 2007:

	2008	2007
Loans with no allowance for loan losses allocated	$184,791	$1,204,974
Loans with allowance for loan losses allocated	5,403,077	2,040,308
Total impaired loans	$5,587,868	$3,245,282
Amount of the allowance allocated to impaired loans	$1,054,518	$366,500

The following is a summary of the activity in the allowance for loan losses of impaired loans, which is part of the bank's overall allowance for loan losses summarized in Note 5, for the years ended December 31, 2008, 2007, and 2006:

	2008	2007	2006
Balance at beginning of year	$ 366,500	$ 286,093	$ 164,283
Provision charged to operations	1,281,943	195,151	244,059
Loans charged-off	(593,925)	(114,744)	(122,249)
Balance at end of year	$1,054,518	$ 366,500	$ 286,093

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

The average balance of impaired loans approximated $3,617,000 in 2008, $2,649,000 in 2007, and $2,372,000 in 2006. The amount of interest income reported and received on a cash basis relating to impaired loans approximated $32,000 in 2006 (none in 2008 and 2007).

NOTE 4 - LOANS (CONTINUED)

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Bank. Such loans are made in the ordinary course of business in accordance with the normal lending policies of the Bank, including the interest rate charged and collateralization, and do not represent more than a normal collection risk. Such loans amounted to $ 3,988,374 and $3,657,288 at December 31, 2008 and 2007, respectively. The following is a summary of activity during 2008, 2007, and 2006 for such loans:

	2008	2007	2006
Beginning of year	$ 3,657,288	$ 3,835,612	$ 3,845,453
Additions	629,002	294,523	327,915
Repayments	(297,916)	(472,847)	(337,756)
End of year	$ 3,988,374	$ 3,657,288	$ 3,835,612

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

Most of the Bank's lending activities are with customers located in Northwestern and West Central Ohio. As of December 31, 2008 and 2007, the Bank's loans from borrowers in the agriculture industry represent the single largest industry and amounted to $74,651,951 and $66,266,595, respectively. Agriculture loans are generally secured by property, equipment, livestock, and crop income. Repayment is primarily expected from cash flow generated through the harvest and sale of crops; milk production for dairy products; or the breeding, development, and sale of livestock. Agriculture customers are subject to various risks and uncertainties which can adversely impact the cash flow generated from their operations, including weather conditions; milk production; health and stability of livestock; costs of key operating items such as fertilizer, fuel, seed, or animal feed; and market prices for crops, milk, and livestock. Credit losses arising from the Bank's lending experience in the agriculture industry compare favorably with the Bank's loss experience on their loan portfolio as a whole. Credit evaluation of agricultural lending is based on an evaluation of cash flow coverage of principal and interest payments and the adequacy of collateral received.

Loans on non-accrual of interest approximated $3,074,000 and $2,613,000 at December 31, 2008 and 2007, respectively. Loans past due 90 days or more and still accruing interest approximated $2,387,000 and $824,000 at December 31, 2008 and 2007, respectively.

NOTE 5 - ALLOWANCE FOR LOAN LOSSES

The following represents a summary of the activity in the allowance for loan losses for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Balance at beginning of year	$ 2,232,708	$ 2,275,486	$ 2,540,301
Provision charged to operations	2,195,000	625,000	340,000
Loans charged-off	(1,538,749)	(923,307)	(817,590)
Recoveries of loans charged-off	309,171	255,529	212,775
Total	$ 3,198,130	$ 2,232,708	$ 2,275,486

NOTE 6 - PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2008 and 2007:

	2008	2007
Land and improvements	$ 2,106,258	$ 2,117,583
Buildings	8,190,046	7,017,191
Equipment	4,348,399	3,844,738
	14,644,703	12,979,512
Less accumulated depreciation	5,348,089	5,076,601
Premises and equipment, net	$9,296,614	$7,902,911

During 2008, the Bank opened a new branch office on the southwestern side of Lima and closed its downtown Lima branch office. As a result of closing the facility, the Bank recognized an impairment loss of $235,000 in 2008. The cost of the facility, net of the impairment loss, is included in other assets at December 31, 2008 since it is being held for sale.

Depreciation expense amounted to $458,814 in 2008, $546,157 in 2007 and $513,692 in 2006.

NOTE 7 - SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others approximated $187,534,000 and $196,322,000 at December 31, 2008 and 2007, respectively.

As described in Note 2, the Bank has elected to record its mortgage servicing rights using the fair value measurement method effective January 1, 2007. Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheets.

Significant assumptions used in determining the fair value of servicing rights include:

Prepayment assumptions:	Based on the PSA Standard Prepayment Model
Internal rate of return:	8% to 10%
Servicing costs:	$40 – $55 per loan, annually, increased at the rate of $1 per 1% delinquency based on loan count
Inflation rate of servicing costs:	3%

Following is a summary of mortgage servicing rights activity for the years ended December 31, 2008 and 2007:

	2008	2007
Fair value at beginning of year	$1,531,225	$2,070,433
Capitalized servicing rights – new loan sales	146,966	152,646
Disposals (amortization based on loan payments and payoffs)	(325,712)	(327,911)
Change in fair value	(649,091)	(363,943)
Fair value at end of year	$703,388	$1,531,225

NOTE 7 – SERVICING (CONTINUED)

The change in fair value of servicing rights for the year ended December 31, 2008 resulted from changes in external market conditions, including conditions that dramatically increased the prepayment assumptions, which is a key valuation input used in determining the fair value of servicing. While prepayment assumptions are constantly changing, such changes are typically within a relatively small parameter from period to period. However, due to the declines in the secondary market mortgage rates experienced during the fourth quarter of 2008, the prepayment assumptions used in determining the fair value of servicing at December 31, 2008 was 630 compared to 244 at December 31, 2007.

The following table summarizes mortgage servicing rights capitalized and related amortization, along with activity in the related valuation allowance for the year ended December 31, 2006, prior to adoption of Statement 156:

Mortgage servicing rights capitalized	$ 206,975
Mortgage servicing rights amortization	221,975
Valuation allowance:	
Beginning of year	$ 258,581
Reduction	110,084
End of year	$ 148,497

NOTE 8 - OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill consist of deposit base premiums resulting from the 2003 Gibsonburg and Pemberville branch acquisitions, as well as a branch acquisition completed by Leipsic in 1996. Amortization of other intangible assets amounted to $253,980 in 2008 and 2007, and $266,491 in 2006. Expected amortization for years subsequent to 2008 is as follows: 2009, $253,980 and 2010, $63,575.

NOTE 9 - DEPOSITS

Time deposits at December 31, 2008 and 2007 include individual deposits of $100,000 or more approximating $106,921,000 and $56,734,000, respectively, including brokered deposits approximating $34,990,000 and $2,384,000. Interest expense on time deposits of $100,000 or more approximated $2,202,000 for 2008, $1,763,000 for 2007, and $1,148,000 for 2006.

At December 31, 2008, time deposits approximated $313,362,000 and were scheduled to mature as follows: 2009, $222,318,000; 2010, $31,964,000; 2011, $36,482,000; 2012, $18,944,000; 2013, $2,887,000; and thereafter, $767,000.

NOTE 10 – OTHER BORROWINGS

Other borrowings consists of the following at December 31, 2008 and 2007:

	2008	2007
Federal Home Loan Bank borrowings:		
Secured note, with floating rate based on 1 month LIBOR plus 10 basis points (5.35% at December 31, 2007), due October 6, 2008	$ -	$ 5,000,000
Secured note, with interest at 5.35%, due October 10, 2008	-	5,000,000
Secured note, with interest at 3.81%, due October 10, 2008	-	2,500,000
Secured note, with interest at 5.14% through June 2003, thereafter convertible to variable rate at the option of the holder, due December 4, 2008	-	5,000,000
Secured note, with interest at 4.82%, due December 5, 2008	-	10,000,000
Secured note, with interest at 3.25%, due March 6, 2009	4,000,000	4,000,000
Secured $2,500,000 term note with interest at 3.08%, with monthly principal and interest payments of $45,011, due May 1, 2009	223,331	747,789
Secured $2,500,000 term note with interest at 3.08%, with monthly principal and interest payments of $45,011, due May 1, 2009	223,331	747,789
Secured note, with interest at 6.55% through June 2003, thereafter convertible to variable rate at the option of the holder, due June 16, 2010	6,500,000	6,500,000
Secured note, with interest at 6.46% through June 2003, thereafter convertible to variable rate at the option of the holder, due July 28, 2010	5,000,000	5,000,000
Secured note, with interest at 4.25% through February 28, 2008, thereafter putable back at the option of the holder, due August 28, 2012	5,000,000	5,000,000
Secured note, with interest at 4.20% through February 28, 2008, thereafter putable back at the option of the holder, due February 28, 2017	10,000,000	10,000,000
Secured note, with interest at 3.95% through September 11, 2008, thereafter putable back at the option of the holder, due September 11, 2017	7,500,000	7,500,000
Secured note, with interest at 1.34%, due July 3, 2009	5,000,000	-
Secured note, with interest at 1.30%, due December 4, 2009	5,000,000	-
Secured note, with interest at 1.95%, due June 4, 2010	5,000,000	-
Secured note, with interest at 3.61%, due July 16, 2010	5,000,000	-
Secured note, with interest at 4.28%, due June 24, 2011	17,000,000	-
Advances secured by individual residential mortgages under blanket agreement	217,564	352,759
Total Federal Home Loan Bank borrowings	75,664,226	67,348,337

NOTE 10 – OTHER BORROWINGS (CONTINUED)

	2008	2007
Securities sold under agreements to repurchase:		
4.01%, due October 13, 2009	$ 5,000,000	$ 5,000,000
4.28%, due June 24, 2008	-	12,000,000
4.07%, due June 24, 2008	-	5,000,000
Total securities sold under agreements to repurchase	5,000,000	22,000,000
Customer repurchase agreements with an average outstanding rate of .68% at December 31, 2008 and 2.50% at December 31, 2007	5,588,157	2,539,570
Total other borrowings	$ 86,252,383	$ 91,887,907

Federal Home Loan Bank borrowings are secured by Federal Home Loan Bank stock, securities with an aggregate carrying value of $5,359,831 and eligible mortgage loans totaling $155,891,006 at December 31, 2008. Interest on advances outstanding at December 31, 2008 secured by individual mortgages under blanket agreement ranged from 5.62% to 8.80%, with varying maturities through July 2019. At December 31, 2008, the Bank had $16,913,000 of borrowing availability under various line-of-credit agreements with the Federal Home Loan Bank and other financial institutions.

Securities sold under agreements to repurchase are secured by securities with an aggregate carrying value approximating $5,006,000 at December 31, 2008. The Bank may be required to provide additional collateral based on the fair value of the underlying securities.

Future contractual maturities of other borrowings are as follows at December 31, 2008: 2009, $25,078,398; 2010, $21,533,121; 2011, $17,032,490; 2012, $5,031,011; 2013, $21,587; and thereafter, $17,555,776.

NOTE 11 - 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 December 31, 2008. 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 $626,897 in 2008 and $640,000 in 2007 and 2006, and is included in interest expense-borrowings in the accompanying consolidated statements of income.

NOTE 11 - JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES (CONTINUED)

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

NOTE 12 - OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Data processing	$ 598,547	$ 895,688	$ 969,723
Professional fees	550,374	486,477	379,468
Franchise tax	570,468	561,434	520,054
Advertising	410,406	381,524	441,215
ATM processing and other fees	367,339	276,020	233,522
Amortization of other intangible assets	253,980	253,980	266,491
Postage	186,894	182,108	177,533
Stationery and supplies	140,208	156,104	168,939
Loss on disposal or write-down of premises and equipment	275,925	70,512	1,076
Other	2,050,597	2,004,147	2,289,146
Total other operating expenses	$ 5,404,738	$ 5,267,994	$ 5,447,167

NOTE 13 - OTHER COMPREHENSIVE INCOME

The components of other comprehensive income and related tax effects are as follows for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Unrealized holding gains on available-for-sale securities	$ 297,178	$ 949,290	$ 252,815
Reclassification adjustments for net securities losses (gains) realized in income	(49,055)	226,416	4,180
Net unrealized gains	248,123	1,175,706	256,995
Tax effect	84,362	399,740	87,378
Net-of-tax amount	$ 163,761	$ 775,966	$ 169,617

NOTE 14 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2008, 2007 and 2006 consist of the following:

	2008	2007	2006
Current	$ 1,554,362	$ 1,363,482	$ 1,030,078
Deferred	(543,362)	(202,482)	221,922
Total provision for income taxes	$ 1,011,000	$ 1,161,000	$ 1,252,000

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 34% to income before income taxes as a result of the following:

	2008	2007	2006
Expected tax using statutory tax rate of 34%	$ 1,846,100	$ 1,951,700	$ 2,100,800
Increase (decrease) in tax resulting from:			
Tax-exempt income on state and municipal securities and political subdivision loans	(666,800)	(644,000)	(654,700)
Interest expense associated with carrying certain state and municipal securities and political subdivision loans	76,400	93,100	86,000
Tax-exempt income on life insurance contracts	(167,600)	(152,200)	(159,800)
Deductible dividends paid to United Bancshares, Inc. ESOP	(54,500)	(47,400)	(41,300)
Other, net	(22,600)	(40,200)	(79,000)
Total provision for income taxes	$ 1,011,000	$ 1,161,000	$ 1,252,000

The deferred income tax credit of $543,362 in 2008 and $202,482 in 2007, and the deferred income tax provision of $221,922 in 2006, resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates or changes in the valuation allowance for deferred tax assets.

NOTE 14 - INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2008 and 2007 are presented below:

	2008	2007
Deferred tax assets:		
Unrealized loss on securities available-for-sale	$212,399	$296,761
Allowance for loan losses	1,125,200	781,000
Deferred compensation	287,900	248,000
Accrued expenses and other	474,101	210,739
Total deferred tax assets	2,099,600	1,536,500
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	877,500	812,700
Capitalized mortgage servicing rights	239,200	520,600
Depreciation and amortization	770,700	452,400
Other	66,200	63,800
Total deferred tax liabilities	1,953,600	1,849,500
Net deferred tax assets (liabilities)	$146,000	$(313,000)

Net deferred tax assets at December 31, 2008 are included in other assets and net deferred tax liabilities at December 31, 2007 are included in other liabilities in the accompanying consolidated balance sheets.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Consequently, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2008 and 2007.

The Corporation had unrecognized tax benefits of $154,200 and $82,300 at December 31, 2008 and 2007, respectively. Additions based on tax positions related to the current year amounted to $71,900 in 2008 and $82,300 in 2007. Such unrecognized tax benefits, if recognized, would favorably affect the effective income tax rate in future periods. The Corporation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

The amount of accrued interest related to the Corporation's uncertain tax positions was $2,600 at December 31, 2008 (none at December 31, 2007).

The Corporation and its subsidiaries are subject to U.S. federal income tax. The Corporation and its subsidiaries are no longer subject to examination by taxing authorities for years before 2005.

NOTE 15 - EMPLOYEE AND DIRECTOR BENEFITS

The Corporation and Bank sponsor a salary deferral, defined contribution plan which provides for both profit sharing and employer matching contributions. The plan permits the investing in the Corporation's stock subject to certain limitations. Participants who meet certain eligibility conditions are eligible to participate and defer a specified percentage of their eligible compensation subject to certain income tax law limitations. The Corporation and Bank make discretionary matching and profit sharing contributions, as approved annually by the Board of Directors, subject to certain income tax law limitations. Contribution expense for the plan amounted to $491,502, $465,329, and $463,850 in 2008, 2007 and 2006, respectively. At December 31, 2008, the Plan owned 283,791 shares of the Corporation's common stock.

The Bank also sponsors nonqualified deferred compensation plans, covering certain directors and employees, which have been indirectly funded through the purchase of split-dollar life insurance policies. In connection with the policies, the Bank has provided an estimated liability for accumulated supplemental retirement benefits amounting to $518,353 at December 31, 2008 and $391,238 at December 31, 2007 which is included in other liabilities in the accompanying consolidated balance sheets. The Bank has also purchased split-dollar life insurance policies for investment purposes to fund other employee benefit plans. The combined cash values of these policies aggregated $11,358,947 and $10,885,971 at December 31, 2008 and 2007, respectively.

Under an employee stock purchase, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a discount determined semi-annually by the Board of Directors as stipulated in the plan. The Corporation sold from treasury 7,258 shares in 2008, 7,856 shares in 2007 and 7,975 shares in 2006 under the plan.

The Bank has an agreement with Leipsic's former President, who is the Corporation's current Chairman of the Board of Directors, to provide for retirement compensation benefits. Such benefits are to be paid over a period of twenty years commencing upon retirement effective December 31, 2001. At December 31, 2008 and 2007, the net present value (based on the 12% discount rate in effect at the time of origination of the agreement) of future deferred compensation payments amounted to $328,426 and $338,357, respectively. Such amounts are included in other liabilities in the December 31, 2008 and 2007 consolidated balance sheets. A split-dollar life insurance policy has been purchased and is available to fund a portion of the future deferred compensation payments. The cash value of the policy amounted to $530,885 and $510,810 at December 31, 2008 and 2007, respectively.

The Chief Executive Officer and Chief Financial Officer of the Corporation have employment agreements which provide certain compensation and benefits as specified in the agreements. The agreement of the Chief Executive Officer expires in January 2010 after which time the Corporation has agreed to enter into a change of control agreement if the Chief Executive Officer is still employed by the Corporation. The agreement of the Chief Financial Officer provides for certain compensation and benefits should any triggering events occur, as specified in the agreement, including change of control or termination without cause.

NOTE 16 - STOCK OPTIONS

In connection with its acquisition in March 2001 of Citizens, the Corporation issued options to certain directors and a senior officer of Citizens under the terms of Citizens' Amended and Restated Stock-Based Incentive Plan (the "Plan"). The Plan provides that options may be exercised through an "alternative option payment mechanism" referred to in the Plan as using "pyramiding transactions" where options are exercised, the shares gained through the exercise rate are tendered back to the Corporation as payment for a greater number of options, and the process is repeated as needed until all options are exercised. Ultimately, the holder of the option ends up with a lower number of shares than exercised but at essentially no cash outlay.

During 2006, two of the option holders collectively exercised 27,440 options resulting in 9,802 shares being tendered under the pyramiding transactions exercise method. At December 31, 2007, 812 shares (none at December 31, 2008) could be tendered from the 5,146 remaining outstanding options under the pyramiding transactions exercise method. The fair value of the shares that could be tendered, amounted to $11,286 at December 31, 2007.

The following summarizes the stock options activity for the years ended December 31, 2008, 2007 and 2006:

	2008		2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of year	12,006	$12.95	12,006	$12.95	39,446	$11.18
Exercised	-	-	-	-	(27,440)	10.40
Expired	(6,860)	15.42	-	-	-	-
Outstanding and exercisable at end of year	5,146	$9.66	12,006	$12.95	12,006	$12.95

Options outstanding at December 31, 2008 were all at an exercise price of $9.66 and have a two year remaining contractual life.

NOTE 17 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

NOTE 17 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

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

The following financial instruments whose contract amount represents credit risk were outstanding at December 31, 2008 and 2007:

	Contract amount	
	2008	**2007**
Commitments to extend credit	$ 85,792,000	$ 75,638,000
Letters of credit	$ 1,845,000	$ 2,096,000

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

Letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party and are reviewed for renewal at expiration. All letters of credit outstanding at December 31, 2008 expire in 2009. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Bank requires collateral supporting these commitments when deemed necessary.

NOTE 18 - REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2008 and 2007, that the Corporation and Bank meet all capital adequacy requirements to which they are subject.

NOTE 18 – REGULATORY MATTERS (CONTINUED)

As of December 31, 2008, the most recent notification from federal and state banking agencies categorized the Bank as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized”, an institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The actual capital amounts and ratios of the Corporation and Bank as of December 31, 2008 and 2007 are presented in the following table:

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 2008						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 56,899	12.6%	$ 36,249	≥ 8.0%	N/A	N/A
Bank	52,943	11.8%	36,175	≥ 8.0%	$ 45,219	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Consolidated	$ 53,701	11.9%	$ 18,125	≥ 4.0%	N/A	N/A
Bank	49,745	11.0%	18,088	≥ 4.0%	$ 27,131	6.0%
Tier I Capital (to Average Assets)						
Consolidated	$ 53,701	8.7%	$ 24,576	≥ 4.0%	N/A	N/A
Bank	49,745	8.2%	24,326	≥ 4.0%	$ 30,408	5.0%
As of December 31, 2007						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 53,921	13.4%	$ 32,105	≥ 8.0%	N/A	N/A
Bank	49,581	12.4%	32,036	≥ 8.0%	$ 40,046	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Consolidated	$ 51,688	12.9%	$ 16,053	≥ 4.0%	N/A	N/A
Bank	47,348	11.8%	16,018	≥ 4.0%	$ 24,027	6.0%
Tier I Capital (to Average Assets)						
Consolidated	$ 51,688	9.4%	$ 21,985	≥ 4.0%	N/A	N/A
Bank	47,348	8.6%	21,985	≥ 4.0%	$ 27,482	5.0%

NOTE 18 – REGULATORY MATTERS (CONTINUED)

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

The Board of Governors of the Federal Reserve System generally considers it to be an unsafe and unsound banking practice for a bank holding company to pay dividends except out of current operating income, although other factors such as overall capital adequacy and projected income may also be relevant in determining whether dividends should be paid.

NOTE 19 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION

A summary of condensed financial information of the parent company as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008 is as follows:

CONDENSED BALANCE SHEETS	**2008**	**2007**
Assets:		
Cash	$ 2,418,309	$ 3,411,346
Investment in bank subsidiary	57,003,816	54,778,521
Premises and equipment, net of accumulated depreciation	446,126	471,914
Other assets, including income taxes receivable from bank subsidiary of $799,870 in 2008 and $158,263 in 2007	1,210,029	623,090
Total assets	$ 61,078,280	$ 59,284,871
Liabilities:		
Accrued expenses, including accrued compensation for stock options of $11,286 in 2007	$ 118,565	$ 166,287
Junior subordinated deferrable interest debentures	10,300,000	10,300,000
Total liabilities	10,418,565	10,466,287
Shareholders' equity:		
Common stock	3,760,557	3,760,557
Surplus	14,659,661	14,659,661
Retained earnings	37,528,026	35,187,304
Accumulated other comprehensive loss	(412,304)	(576,065)
Treasury stock, at cost	(4,876,225)	(4,212,873)
Total shareholders' equity	50,659,715	48,818,584
Total liabilities and shareholders' equity	$ 61,078,280	$ 59,284,871

NOTE 19 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF INCOME	2008	2007	2006
Income – including dividends from bank subsidiary	$3,000,000	$3,016,595	$2,524,898
Expenses – interest expense, professional fees and other expenses, net of federal income tax benefit	(642,937)	(678,129)	(664,865)
Income before equity in undistributed net income of bank subsidiary	2,357,063	2,338,466	1,860,033
Equity in undistributed net income of bank subsidiaries	2,061,534	2,240,912	3,066,772
Net income	$4,418,597	$4,579,378	$4,926,805

CONDENSED STATEMENTS OF CASH FLOWS	2008	2007	2006
Cash flows from operating activities:			
Net income	$4,418,597	$4,579,378	$4,926,805
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(2,061,534)	(2,240,912)	(3,066,772)
Provision (credit) for accrued compensation – stock options	(11,286)	(42,141)	13,858
Depreciation and amortization	39,038	79,348	79,457
Decrease (increase) in other assets	(600,189)	193,117	(85,517)
Increase (decrease) in accrued expenses	(36,436)	32,847	(32,009)
Net cash provided by operating activities	1,748,190	2,601,637	1,835,822
Cash flows from investing activities:			
Purchases of premises and equipment	-	-	(20,060)
Proceeds from sale of security	-	51,121	-
Net cash provided by (used in) investing activities	-	51,121	(20,060)

NOTE 19 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS	2008	2007	2006
Cash flows from financing activities:			
Purchase of common stock	$ (775,250)	$(1,347,150)	$(1,135,944)
Proceeds from sale of treasury shares	98,709	108,157	110,008
Cash dividends paid	(2,064,686)	(1,969,407)	(1,869,135)
Net cash used in financing activities	(2,741,227)	(3,208,400)	(2,895,071)
Net decrease in cash	(993,037)	(555,642)	(1,079,309)
Cash at beginning of the year	3,411,346	3,966,988	5,046,297
Cash at end of the year	$2,418,309	$3,411,346	$3,966,988

During 2005, the Board of Directors approved a program whereby the Corporation purchases shares of its common stock in the open market. The decision to purchase shares, the number of shares to be purchased, and the price to be paid depends upon the availability of shares, prevailing market prices, and other possible considerations which may impact the advisability of purchasing shares. The Corporation purchased 55,000 shares in 2008, 86,500 shares in 2007, and 71,177 shares in 2006 under the program.

NOTE 20 - FAIR VALUE MEASUREMENTS

On February 15, 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (Statement 159). Statement 159 provides an option to report selected financial assets and liabilities at fair value. Statement 159 requires additional information that will help investors and other users of financial statements to more easily understand the effect of an entity's choice to use fair value on its earnings. Statement 159 also requires entities to display the fair value of those assets and liabilities for which the entity has chosen to use fair value on the face of the balance sheet. Statement 159 does not eliminate disclosure requirements included in other accounting standards. There was no impact on the accompanying consolidated financial statements as a result of Statement 159 since the Corporation has not elected the fair value option for any eligible items.

Effective January 1, 2008, the Corporation adopted the provisions of SFAS No. 157, Fair Value Measurements (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

NOTE 20 - FAIR VALUE MEASUREMENTS (CONTINUED)

Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, and both able and willing to transact.

Statement 157 requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, Statement 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

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

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

NOTE 20 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial assets (there were no financial liabilities) measured at fair value as of December 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total fair value
Recurring:				
Securities available-for-sale	$ -	$136,498,302	$ -	$136,498,302
Mortgage servicing rights	-	-	703,388	703,388
Total recurring	$ -	$136,498,302	$ 703,388	$137,201,690
Nonrecurring:				
Impaired loans	$ -	$ -	$4,533,350	$ 4,533,350

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2008 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2008.

The table below presents a reconciliation and income statement classification of gains and losses for mortgage servicing rights, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2008:

Balance at beginning of year	$ 1,531,225
Gains or losses, including realized and unrealized:	
Disposals – amortization based on loan payments and payoffs	(325,712)
Purchases, issuances, and settlements	146,966
Other changes in fair value	(649,091)
Balance at end of year	$ 703,388

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

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

NOTE 20 - FAIR VALUE MEASUREMENTS (CONTINUED)

Securities Available-for-Sale

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. The Corporation did not have any securities classified as Level 1 or Level 3 at December 31, 2008.

Impaired Loans

The Corporation does not record impaired loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Collateral values are estimated using level 2 inputs, including recent appraisals and Level 3 inputs based on customized discounting criteria. Due to the significance of the level 3 inputs, impaired loans fair values have been classified as level 3.

Losses included in earnings before income taxes amounted to $1,281,943 in 2008 relating to impaired loans. Such losses were determined in accordance with FAS 114 and are included in the provision for loan losses. There were no gains or losses relating to securities available-for-sale included in earnings before income taxes that were attributable to changes in fair values of securities held at December 31, 2008.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. Financial assets and financial liabilities, excluding impaired loans, measured at fair value on a nonrecurring basis were not significant at December 31, 2008.

Nonfinancial assets and nonfinancial liabilities measured at fair value on a recurring basis include reporting units measured at fair value in the first step of a goodwill impairment test. Nonfinancial assets measured at fair value on a nonrecurring basis include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, as well as intangible assets and other nonfinancial long-lived assets measured at fair value for impairment assessment. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, “Effective Date of FASB Statement No. 157”, the Corporation has delayed the application of Statement 157 for the fair value measurement of nonfinancial assets and nonfinancial liabilities until January 1, 2009.

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments", requires that the estimated fair value of financial instruments, as defined by the Statement, be disclosed. Statement 107 also requires disclosure of the methods and significant assumptions used to estimate the fair value of financial instruments.

The estimated fair values of recognized financial instruments at December 31, 2008 and 2007 are as follows:

	2008		2007	
	Carrying amount	Estimated value	Carrying amount	Estimated value
	(dollars in thousands)			
FINANCIAL ASSETS				
Cash and cash equivalents	$ 25,622	$ 25,622	$ 15,079	$ 15,079
Securities, including Federal Home Loan Bank stock	141,392	141,392	142,607	142,607
Net loans, including loans held for sale	415,187	439,018	357,328	358,121
Mortgage servicing rights	703	703	1,531	1,531
	$ 582,904	$ 606,735	$ 516,545	$ 517,338
FINANCIAL LIABILITIES				
Deposits	$ 464,792	$ 471,588	$ 393,203	$ 393,368
Other borrowings	86,252	90,617	91,888	93,349
Junior subordinated deferrable interest debentures	10,300	6,232	10,300	9,898
Other liabilities	4,060	4,160	3,765	3,875
	$ 565,404	$ 572,597	$ 499,156	$ 500,490

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

There are also unrecognized financial instruments at December 31, 2008 and 2007 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $87,637,000 at December 31, 2008 and $77,734,000 at December 31, 2007. Such amounts are also considered to be the estimated fair values.

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

Cash and cash equivalents:

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

Securities:

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

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Loans:

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

Mortgage servicing rights:

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

Deposit liabilities:

The fair value of core deposits, including demand deposits, savings accounts, and certain money market deposits, is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated using the rates offered at year end for deposits of similar remaining maturities. The estimated fair value does not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the marketplace.

Other financial instruments:

The fair value of commitments to extend credit and letters of credit is determined to be the contract amount, since these financial instruments generally represent commitments at existing rates. The fair value of other borrowings is determined based on a discounted cash flow analysis using current interest rates. The fair value of the junior subordinated deferrable interest debentures is determined based on quoted market prices of similar instruments. The fair value of other liabilities is generally considered to be carrying value except for the deferred compensation agreement described in Note 15. The fair value of the contract is determined based on a discounted cash flow analysis using a current interest rate for a similar instrument.

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

NOTE 22 - CONTINGENT LIABILITIES

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

NOTE 23 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents a summary of selected unaudited quarterly financial data for 2008 and 2007:

	Interest income	Net interest income	Net income	Earnings per common share Basic	Earnings per common share Diluted
	(Dollars in thousands, except per share data)				
2008					
First quarter	$ 8,666	$ 4,499	$ 945	$ .27	$ .27
Second quarter	8,892	4,947	1,749	.51	.51
Third quarter	8,975	5,048	1,127	.33	.33
Fourth quarter	8,675	4,919	598	.17	.17
2007					
First quarter	$ 8,465	$ 4,128	$ 977	$ .27	$ .27
Second quarter	8,800	4,394	1,455	.42	.42
Third quarter	8,671	4,348	935	.26	.26
Fourth quarter	8,913	4,548	1,212	.35	.35

NOTE 24 -NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (FAS 161). FAS 161 is an amendment of FASB 133, “Accounting for Derivative Instruments and Hedging Activities”, and is intended to improve financial reporting transparency regarding derivative instruments and hedging activities. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Corporation is currently evaluating the impact of FAS 161, but does not believe that it will have a material impact on the consolidated financial statements.

Also in December 2008, the FASB issued Staff Position FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.* FIN 46(R)-8 does not apply to the Corporation. FAS 140-4 requires public entities to provide enhanced disclosures about the transfer of financial assets including securitization or asset-based financing arrangements, any restrictions on assets reported that relate to a transferred financial asst and how servicing assets and servicing liabilities are reported. The disclosures are effective for the first reporting period (interim or annual) ending after December 31, 2008. The Corporation does not expect the adoption of FAS 140-4 will have a significant impact on the consolidated financial statements.

UNITED BANCSHARES, INC.
Columbus Grove, Ohio

DIRECTORS – UNITED BANCSHARES, INC.

NAME	AGE	DIRECTOR SINCE
Robert L. Benroth *Putnam County Auditor*	46	2003
Robert L. Dillhoff *Retired Administrator, Department of Transportation*	62	2001
James N. Reynolds *Chairman, Retired Banker*	71	2000
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	66	2000
David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	58	2001
Daniel W. Schutt *President/CEO*	61	2005
R. Steven Unverferth *President, Unverferth Manufacturing Corporation, Inc.*	56	2005

DIRECTORS – THE UNION BANK COMPANY

NAME	AGE	DIRECTOR SINCE (a)
Robert L. Benroth *Putnam County Auditor*	46	2001
Robert L. Dillhoff *Retired Administrator, Dept. of Transportation*	62	1991
Herbert H. Huffman *Retired - Educator*	58	1993
Kevin L. Lammon *Insurance and Real Estate Sales*	54	1996
William R. Perry *Farmer*	50	1990
James N. Reynolds *Retired Banker*	71	1966
H. Edward Rigel *Farmer, Rigel Farms, Inc.*	66	1979
David P. Roach *Vice-President/GM, First Family Broadcasting of Ohio*	58	1997
Robert M. Schulte, Sr. *Businessman/Spherion Services*	76	1994
Daniel W. Schutt *Chairman, President and Chief Executive Officer*	61	2005
R. Steven Unverferth *President, Unverferth Manufacturing Corporation, Inc*	56	1993
Brian D. Young *Chief Financial Officer, Executive Vice President*	42	2008

(a) Indicates year first elected or appointed to the board of The Union Bank Company or any of the former affiliate banks, Bank of Leipsic or the Citizens Bank of Delphos.

OFFICERS – UNITED BANCSHARES, INC.

James N. Reynolds – Chairman	Daniel W. Schutt – President / Chief Executive Officer
Heather M. Oatman – Secretary	Brian D. Young – Chief Financial Officer, EVP & Treasurer

OFFICERS – THE UNION BANK COMPANY

Daniel W. Schutt - President/CEO/Chairman
Brian D. Young - Executive Vice President/CFO

Nancianne Carroll	Senior Vice President	Lewis R. Renollet	Senior Vice President
Ronald J. McNeely	Senior Vice President	Norman V. Schnipke	Senior Vice President
Heather M. Oatman	Senior Vice President, Sec.		
Mark G. Honigford	Vice President	Jeffrey L. Point	Vice President
Dana F. Lawrence	Vice President	Ricardo Rosado	Vice President
Max E. Long	Vice President	Mary L. Schroeder	Vice President
Donald W. Miller	Vice President	Barry J. von der Embse	Vice President
John P. Miller	Vice President		
Amy E. Blankemeyer	Assistant Vice President	Amy E. Reese	Assistant Vice President
Kimberly K. Dray	Assistant Vice President	Kevin E. Rice	Assistant Vice President
Vicky K. Gilbert	Assistant Vice President	Gary G. Ricker	Assistant Vice President
Erin W. Hardesty	Assistant Vice President	M. Chris Sanderson	Assistant Vice President
Elizabeth A. Kahlenberg	Assistant Vice President	Deborah R. Soldenwagner	Assistant Vice President
Kimberly J. Kandik	Assistant Vice President	Craig R. Stechschulte	Assistant Vice President
Amy L. Laibe	Assistant Vice President	Theresa A. Stein-Moenter	Assistant Vice President
Doris A. Neumeier	Assistant Vice President	Kimberly S. Verhoff	Assistant Vice President
Brent D. Nussbaum	Assistant Vice President	Troy M. Verhoff	Assistant Vice President
James C. Osmon	Assistant Vice President	Vikki L. Williams	Assistant Vice President
Peter J. Rafaniello	Assistant Vice President	Lisa D. Wiswasser	Assistant Vice President
Rose Ann Recker	Assistant Vice President		
Patricia S. Christman	Accounting Officer	Jane M. Stirn	Assistant Manager of Loan Operations
Amy C. Felter	Controller		
April L. Olmstead	Senior Credit Analyst	LeAnn Wilkins	Mortgage Underwriter

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Section 4: EX-21 (EXHIBIT 21)

Exhibit 21

United Bancshares, Inc. Subsidiaries

The Union Bank Company
Ohio banking corporation
Columbus Grove, Ohio

United (OH) Statutory Trust I

Connecticut statutory trust
Columbus Grove, Ohio

UBC Investments, Inc. – a wholly-owned subsidiary of The Union Bank Company
Delaware Corporation
Wilmington, Delaware

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Section 5: EX-23 (EXHIBIT 23)

Exhibit 23

CONSENT ON INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
United Bancshares, Inc.

We hereby consent to the incorporation by reference in the Registration Statement (No. 333-106929) on Form S-8 of United Bancshares, Inc. of our report dated March 11, 2009, relating to the consolidated balance sheets of United Bancshares, Inc. and subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008, which report is incorporated by reference in the December 31, 2008 Annual Report on Form 10-K of United Bancshares, Inc.

/s/ CLIFTON GUNDERSON LLP

Toledo, Ohio
March 19, 2009

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Section 6: EX-31 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION - CEO

In connection with the Annual Report of United Bancshares, Inc. on Form 10-K for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel W. Schutt, President and Chief Executive Officer of United Bancshares, Inc., certify, that:

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

(2) Based on my knowledge, this annual 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 annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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), and internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and we 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

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

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

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 registrant's board of directors:

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
March 20, 2009

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Section 7: EX-31 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION - CFO

In connection with the Annual Report of United Bancshares, Inc. on Form 10-K for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Young, Chief Financial Officer of United Bancshares, Inc., certify, that:

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

(2) Based on my knowledge, this annual 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 annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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), and internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and we 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

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

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

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 registrant's board of directors:

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
March 20, 2009

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Section 8: EX-32 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of United Bancshares, Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2008, 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. § 1350, as adopted pursuant to § 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 Corporation.

/s/ DANIEL W. SCHUTT
Daniel W. Schutt
Chief Executive Officer

Date: March 20, 2009

*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.

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Section 9: EX-32 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of United Bancshares, Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2008, 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. § 1350, as adopted pursuant to § 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 Corporation.

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

Date: March 20, 2009

*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.

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Section 10: EX-99 (EXHIBIT 99)

Exhibit 99

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2008, 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 believes 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 company 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.

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