

UNITED BANCSHARES INC/OH
Form PREM14A
March 03, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 14a-11 or Section 240.14a-12

United Bancshares, Inc.

(Name of Registrant as Specified in Charter)

Payment of Filing Fee (Check the appropriate box)

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies.

2) Aggregate number of securities to which transaction applies.

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or Schedule and the date of its filing.

1) Amount previously paid: _

N/A

2) Form, Schedule or Registration Statement No.:

N/A

3) Filing Party:

N/A

4) Date filed:

N/A

UNITED BANCSHARES, INC.

100 South High Street

Columbus Grove, Ohio 45830

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 26, 2006

TO THE SHAREHOLDERS OF UNITED BANCSHARES, INC.:

You are cordially invited to attend the Annual Meeting of the Shareholders of United Bancshares, Inc. to be held on April 26, 2006 at 7:30 p.m. at The Union Bank Company, 100 South High Street, Columbus Grove, Ohio, for the purpose of considering and acting on the following:

1.

An amendment to the Articles of Incorporation of United Bancshares, Inc. to provide for a classified Board of Directors consisting of three classes of directors each with overlapping three year terms;

2.

Electing directors and designating three directors as Class I directors to serve until the 2007 annual meeting, three directors as Class II directors to serve until the 2008 annual meeting and three directors as Class III directors to serve until the 2009;

3.

An amendment to the Articles of Incorporation of United Bancshares, Inc. to increase the authorized shares of United Bancshares, Inc. to 10,000,000 shares; and

4.

Transacting such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on March 3, 2006 will be entitled to vote at the meeting.

March 22, 2006

By Order of the Board of Directors

Bonita R. Selhorst, Secretary

IMPORTANT

A proxy statement and proxy are submitted herewith. As a shareholder, you are urged to complete and mail the proxy promptly whether or not you plan to attend this annual meeting in person. The proxy is revocable at any time prior to the exercise thereof by written notice to the Company, and shareholders who attend the annual meeting may withdraw their proxies and vote their shares personally if they so desire.

PROXY STATEMENT

UNITED BANCSHARES, INC.

100 South High Street

Columbus Grove, Ohio 45830

ANNUAL MEETING OF SHAREHOLDERS

April 26, 2006

INTRODUCTION

The enclosed proxy is solicited by the Board of Directors of United Bancshares, Inc. (also referred to in this Proxy Statement as United Bancshares or the Company), in connection with the Annual Meeting of Shareholders to be held at 7:30 p.m. on April 26, 2006 at The Union Bank Company, 100 South High Street, Columbus Grove, Ohio (the Annual Meeting), or at any adjournments thereof.

The Annual Meeting has been called for the following purposes: (i) to amend the Articles of Incorporation of the Company to provide for a classified Board of Directors consisting of three classes of directors each with overlapping three-year terms; (ii) to elect directors and to designate three Class I directors to serve for a one-year term, three Class II directors to serve for a two-year term and three Class III directors to serve for a three-year term; (iii) to amend Articles of Incorporation of the Company to increase the authorized shares of the Company to 10,000,000 shares; and (iv) to transact any other business that may properly come before the Annual Meeting or any adjournments thereof.

This Proxy Statement and the accompanying Notice of Annual Meeting are being mailed to Shareholders on or about March 22, 2006.

REVOCATION OF PROXIES AND DISCRETIONARY

AUTHORITY

Shares of United Bancshares common stock can be voted at the Annual Meeting only if the shareholder is represented by proxy or is present in person. Shareholders who execute proxies retain the right to revoke them at any time.

Unless revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies may be revoked by (i) written notice to the Secretary of United Bancshares (addressed to: United Bancshares, Inc., 100 South High Street, Columbus Grove, Ohio 45830, Attention: Secretary) prior to the time the proxy is voted; or (ii) by the filing of a later dated proxy prior to a vote being taken on a particular proposal at the Annual Meeting; or (iii) in open meeting at any time before the proxy is voted.

Proxies solicited by the Board of Directors will be voted in accordance with the directions given therein. Where no instructions are indicated, properly executed proxies will be voted **FOR** the amendment to the Articles to classify the Board, **FOR** the nominees for directors set forth below and **FOR** the amendment to the Articles to increase the authorized shares of the Company to 10,000,000. The proxy confers discretionary authority on the proxy holder to vote with respect to (i) the election of any person as a director where the nominee is unavailable or unable to serve, (ii) matters incident to the conduct of the Annual Meeting; (iii) an adjournment of the meeting; and (iv) any other business that may properly come before the Annual Meeting or any adjournments thereof.

PERSON MAKING THE SOLICITATION

The enclosed proxy is being solicited by United Bancshares and the cost of soliciting proxies will be borne by United Bancshares. Proxies may be solicited by mail, personally telephone, electronic mail or facsimile by directors, officers and employees of United Bancshares who will receive no compensation in addition to their regular compensation.

United Bancshares may decide that it is appropriate to retain a proxy solicitation firm or agency to solicit proxies. If a proxy solicitation firm or agency is retained, United Bancshares will bear the cost.

VOTING SECURITIES

Each of the shares of United Bancshares common stock outstanding on March 3, 2006, the record date of the Annual Meeting, is entitled to one vote on all matters coming before the meeting. As of February 15, 2006, United Bancshares had 3,608,685 shares of Common Stock outstanding. Only shareholders of record on the books of the Company on March 3, 2006, will be entitled to vote at the meeting either in person or by proxy. Pursuant to the Regulations of the Company, the shareholders present in person or by proxy at the Annual Meeting shall constitute a quorum.

If you are the beneficial owner of shares held in street name by a broker, bank or other nominee, your nominee is required to vote those shares in accordance with your instructions. If the nominee does not receive instructions from the beneficial owner, the nominee will be entitled to vote the shares on certain routine items. The nominee is not entitled to vote the shares (absent instructions from the beneficial owner) with respect to non-routine matters. When the nominee does not receive instructions from a beneficial owner concerning a non-routine matter, over which the nominee has no voting discretion, a broker non-vote occurs. Shares treated as broker non-votes are included for purposes of determining whether a quorum exists, however, such shares will not be counted as being in favor of or against any proposal placed before the shareholders at the Annual Meeting.

The following table sets forth, as of February 15, 2006, the ownership of common stock by management of United Bancshares, including (i) the common stock beneficially owned by each director, nominee for director and executive officer of United Bancshares and (ii) the common stock beneficially owned by all officers, directors and nominees for director as a group. The number of shares listed for each person includes shares held in the name of spouses, minor children, certain relatives, trusts or estates whose share ownership under the beneficial ownership rules of the Securities and Exchange Commission is to be aggregated with that of the director or officer whose share ownership is shown.

Name	Position	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding⁽¹⁾
Robert L. Benroth	Director	7,000 ⁽²⁾ ₍₃₎	0.19%
Robert L. Dillhoff	Director	31,380	0.87%
Joe S. Edwards, Jr.	Director	185,101 ₍₄₎	5.13%
P. Douglas Harter	Director	42,610	1.18%

		(5)	
James N. Reynolds	Director, Chairman	62,487	1.73%
		(6)	
H. Edward Rigel	Director	30,325	0.84%
		(7)	
David P. Roach	Director	17,463	0.48%
		(8)	
Daniel W. Schutt	Director, President	5,439	0.15%
		(9)	
Bonita R. Selhorst	Secretary	19,596	0.54%
R. Steven Unverferth	Director	2,000	0.06%
		(10)	
Brian D. Young	Chief Financial Officer, Treasurer	4,097	0.11%
All directors, nominees and executive officers as a group (11 persons)		407,498	11.29%

(1)

Reflects percentage ownership based upon 3,608,685 shares outstanding as of February 15, 2006.

(2)

Includes 6,000 shares held jointly with Mr. Benroth's brother.

(3)

Includes (a) 5,686 shares owned by Mr. Dillhoff jointly with his spouse; (b) 4,068 shares owned by Mr. Dillhoff through his IRA; and (c) options to purchase 13,720 shares of common stock.

(4)

Includes (a) 30 shares owned by Mr. Harter as custodian for his children; (b) 6,372 shares owned by Mr. Harter through his IRA; (c) 4,482 shares owned by Mr. Harter's spouse either directly or through her IRA; (d) 1,300 shares owned by Family Corp., an Ohio corporation in which Mr. Harter owns an interest; and (e) options to purchase 13,720 shares of common stock.

(5)

Includes (a) 37,790 shares owned by Mr. Reynolds's spouse; and (b) 1,727 shares allocated to Mr. Reynolds under the Company's Employee Stock Ownership Plan.

(6)

Includes 15,135 shares held in a trust of which Mr. Rigel is a co-trustee.

(7)

Includes options to purchase 12,006 shares of common stock.

(8)

Includes 4,746 shares owned by Mr. Schutt through his Individual Retirement Account and 346 shares under the Company's Employee Stock Ownership Plan.

(9)

Includes 10,882 shares allocated to Ms. Selhorst under the Company's Employee Stock Ownership Plan.

(10)

Includes 2,364 shares allocated to Mr. Young under the Company's Employee Stock Ownership Plan.

PROPOSAL 1 - AMENDMENT TO ARTICLES OF INCORPORATION TO CLASSIFY BOARD OF DIRECTORS

Currently under the Company's Amended and Restated Articles of Incorporation and Regulations, all members of the Board of Directors are elected at each annual meeting of shareholders to serve for a one year term which ends at the following annual meeting of shareholders. On December 20, 2005, the Company's Board of Directors approved the addition of a classified board to the Company's Articles, and approved its submission to the shareholders for their approval at the annual meeting. The full text of the amendment is set forth in Appendix A to this Proxy Statement.

If approved by the shareholders, the amended Articles will provide for a classified (sometimes called "staggered") Board of Directors consisting of three classes of directors each with overlapping three-year terms of office. Each such class is to have an equal, or as close to equal as mathematically possible, number of members. In order to implement the classified board the initial mechanism will provide that Class I will serve an initial one-year term, Class II will serve a full two-year term. Class III will serve a full three-year term. Thereafter, at the first annual meeting of shareholders after amendment of the Articles, the first class of directors will be elected for a three-year term; at the second annual meeting of shareholders the second class will be elected for a three-year term; and at each annual meeting thereafter, one class will be elected to a three-year term.

The Board of Directors believes that structuring the Company's Board into three classes will insure a continuity of experienced Board members. Also, under the classified Board system, a shareholder or group of shareholders possessing a majority of the voting power of the Company will not in any one year be able to replace a majority of the directors since only one-third of the directors will stand for election each year. Rather, at least two annual meeting elections will be required to change a majority of the directors by the requisite vote of the shareholders. By contrast, a shareholder or group of shareholders could obtain control of the Company's Board of Directors in a single year since the Company's entire Board is subject to election each year. The classified Board may therefore have the effect of discouraging or making more difficult an unfriendly attempt to takeover the Company. Although the Board currently has no reason to believe that this issue will arise, it believes that it is in the Company's best interests to protect against the possibility. In addition, classified boards encourage director independence in board dealings because they might be less concerned with yearly elections. It will also make it more difficult for shareholders to change the majority of directors even if the only reason for such a change is the performance of incumbent directors.

If the shareholders of the Company approve the amendment to the Articles to classify the board, the directors will be elected in the following classes:

Class I	Class II	Class III
(initial one year term)	(initial two year term)	
Robert L. Benroth	Joe S. Edwards, Jr.	Robert L. Dillhoff
David P. Roach	H. Edward Rigel	P. Douglas Harter
Daniel W. Schutt	R. Steven Unverferth	James N. Reynolds

If for some reason one or more of these directors is not elected or cannot serve, the Board of Directors will address the vacancy and take action as set forth in the Company's Articles of Incorporation. If the amendment is not approved by the shareholders each Board member will continue to stand for election every year.

Under Ohio law, the proposed amendment cannot occur unless the shareholders approve it by two-thirds majority vote. If the proposed amendment is adopted by the required shareholder vote, it will become effective on the date on which the Certificate of Amendment by Shareholders to the Amended and Restated Articles of Incorporation is filed

with the Secretary of State of Ohio.

The following resolution regarding Proposal 1 will be presented to the shareholders for adoption at the Annual Meeting :

RESOLVED, that the Amended and Restated Articles of Incorporation of United Bancshares, Inc. be amended by including a new Article XII in the form set forth in Appendix A to the Proxy Statement dated March 22, 2006.

Proxies will be voted in favor of the proposal to amend the Articles to classify the Board of Directors unless otherwise instructed by the shareholders. The Board of Directors recommends a vote **FOR** Proposal 1.

PROPOSAL 2 - ELECTION OF DIRECTORS

The following table sets forth information concerning the nominees for directors of United Bancshares:

Name	Age	Principal Occupation ⁽¹⁾	Positions Held with United Bancshares	Director of United Bancshares Since	Director of The Union Bank Company Since ⁽²⁾
Robert L. Benroth	43	Putnam County Treasurer	Director	2003	2001
Robert L. Dillhoff	59	District Highway Management Administrator, Department of Transportation	Director	2001	1991
Joe S. Edwards, Jr.	63	Businessman/Investor/	Director	2000	1977

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		President, Buckeye Stave Company			
P. Douglas Harter	59	Associate, Harter and Son Funeral Home	Director	2001	1969
James N. Reynolds	68	Retired banker; Chairman of United Bancshares	Director and Chairman	2000	1966
H. Edward Rigel	63	Farmer, Rigel Farms, Inc.	Director	2000	1979
David P. Roach	55	Manager, Maverick Media Radio Stations of Ohio	Director	2001	1997
Daniel W. Schutt	58	President and Chief Executive Officer of United Bancshares	Director and President	2005	2005
R. Steven Unverferth	53	President, Unverferth Manufacturing Company, Inc.	Director	2005	1993

(1)

Except as otherwise indicated in this Proxy Statement, each nominee has held the occupation identified for at least five years preceding the date of this Proxy Statement.

(2)

Indicates year first elected or appointed to the Board of The Union Bank Company, a subsidiary of United Bancshares, or either of its former affiliate banks, Bank of Leipsic or the Citizens Bank of Delphos.

The nine nominees for director of United Bancshares receiving the most votes will be elected as directors. Those nominees elected will be placed in the respective Classes of directors as set forth in this Proxy Statement, to serve for the terms indicated. If the amendment to the Articles of Incorporation providing for a classified Board is not approved by the shareholders, those nominees elected will serve for a term of one year.

The Board of Directors recommends that shareholders vote **FOR** the election of the nominees. Shares as to which authority to vote is withheld, abstentions and broker non-votes that are present in person or by proxy will not be counted and will have no effect on the outcome of the election.

It is intended that common shares represented by the accompanying form of proxy will be voted **FOR** the election of the nominees and, unless contrary instructions are indicated as provided on the proxy card. (If you do not wish your shares to be voted for particular nominees, please so indicate on the proxy card). If one or more of the nominees should at the time of the Annual Meeting be unavailable or unable to serve as a director, the shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board of Directors. The Board of Directors knows of no reason why any of the nominees will be unavailable or unable to serve.

PROPOSAL 3 - AMENDMENT TO ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES

On December 20, 2005, the Company's Board approved an amendment to Article IV of the Amended and Restated Articles of Incorporation of the Company, and approved its submission to the shareholders for their approval at the annual meeting. The proposed amendment to the Articles increases the number of authorized shares from 4,750,000 to 10,000,000 shares. The full text of the proposed amendment to Article IV of the Articles is set forth in Appendix A to this Proxy Statement.

The proposed amendment to the Articles of Incorporation would increase the number of common shares which the Company is authorized to issue from 4,750,000 to 10,000,000. The additional 5,250,000 would be part of the existing class of common shares presently authorized. At February 15, 2006, 3,608,685 common shares were issued and outstanding.

The Board believes it is desirable to increase the number of common shares the Company is authorized to issue for the reasons set forth below and to provide the Company with adequate flexibility in the future. If this proposal is adopted by the shareholders, the increased number of authorized common shares will be available for issuance from time to time for such purposes and consideration as the Board may approve without further shareholder approval, except as such approval is required by applicable law or regulation. Such purposes may include issuing additional common shares or other securities convertible into common shares in connection with public or private financing transactions, establishing strategic relationships with other companies, acquisitions or other corporate transactions, as well as issuing share dividends, warrants, options and other stock-based incentive or compensation programs.

The Company wishes to be in the position to take advantage of any opportunities that might present themselves, which opportunities for additional issuance could arise at any time. The availability of additional common shares for issuance, without the delay and expense of obtaining additional shareholder approval, will afford the Company greater flexibility in acting upon opportunities and transactions, if any, which may arise.

Under Ohio law, the proposed amendment cannot occur unless the shareholders approve the proposed amendment to Article IV of the Company's Articles by two-thirds majority vote. Adoption of the proposed amendment and any issuance of additional shares would not affect the rights of the holders of currently outstanding common shares, except for effects incidental to increasing the number of shares outstanding, such as dilution of ownership percentages, earnings per share amounts and voting percentage of current holders. The holders of common shares do not presently have preemptive rights to subscribe for the additional shares proposed to be authorized. The proposed amendment, if adopted by the required two-thirds majority vote of the shareholders, will become effective on the date on which the Certificate of Amendment by Shareholders to the Amended and Restated Articles of Incorporation of the Company is filed with the Secretary of State of Ohio.

The following resolution regarding Proposal 3 will be presented to the shareholders for adoption at the Annual Meeting :

RESOLVED, that the Amended and Restated Articles of Incorporation of United Bancshares, Inc. be amended by deleting the current Article IV and replacing it with the form of Article IV set forth in Appendix A to the Proxy Statement dated March 22, 2006.

If the amendment is not approved by the shareholders, the Articles, which authorize the issuance of up to 4,750,000 common shares, will continue in effect. Proxies will be voted in favor of the proposal to amend the Articles to increase the maximum number of shares authorized to be issued and outstanding unless otherwise instructed by the shareholders. The Board of Directors recommends the shareholders vote **FOR** Proposal 3.

DIRECTORS AND EXECUTIVE OFFICERS

The following table identifies each of the current directors and executive officers of United Bancshares.

Name	Age	Principal Occupation⁽¹⁾	Positions Held	Director of United Bancshares	Director of The Union Bank
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			with United Bancshares	Since	Company Since ⁽²⁾
Robert L. Benroth	43	Putnam County Treasurer	Director	2003	2001
Robert L. Dillhoff	59	District Highway Management Administrator, Department of Transportation	Director	2001	1991
Joe S. Edwards, Jr.	63	Businessman/Investor/ President, Buckeye Stave Company	Director	2000	1977
P. Douglas Harter	59	Associate, Harter and Son Funeral Home	Director	2001	1969
James N. Reynolds	68	Retired banker; Chairman of United Bancshares	Director and Chairman	2000	1966
H. Edward Rigel	63	Farmer, Rigel Farms, Inc.	Director	2000	1979
David P. Roach	55	Manager, Maverick Media Radio Stations of Ohio	Director	2001	1997

Daniel W. Schutt	58	President and Chief Executive Officer of United Bancshares	Director, Chief Executive Officer and President ⁽³⁾	2005	2005
R. Steven Unverferth	53	President of Unverferth Manufacturing Company, Inc.	Director	2005	1993
Bonita R. Selhorst	59	Secretary of United Bancshares	Secretary	N/A	N/A
Brian D. Young	39	Chief Financial Officer, United Bancshares	Chief Financial Officer, Executive Vice President and Treasurer ⁽⁴⁾	N/A	N/A

(1)

Except as otherwise indicated in this Proxy Statement, each director and officer has held the occupation identified for at least five years preceding the date of this Proxy Statement.

(2)

Indicates year first elected or appointed to the Board of The Union Bank Company, a subsidiary of United Bancshares, or either of its former affiliate banks, Bank of Leipsic or the Citizens Bank of Delphos.

(3)

In December 2004, E. Eugene Lehman retired from his position as President, Chief Executive Officer and Director of United Bancshares. On January 24, 2005, Mr. Schutt was appointed President and Chief Executive Officer of United Bancshares and filled the vacancy on the Board created by Mr. Lehman's retirement. Mr. Schutt has over 39 years of banking experience, including over 22 years of executive management experience. He served as Executive Vice

President of Farmers & Merchants State Bank in Archbold, Ohio from July 2004 to January 2005; Executive Vice President of The State Bank & Trust Co. in Defiance, Ohio from November 2002 to July 2004 and President of The Union Bank Company from June 1998 to November 2002.

(4)

Mr. Young has served as the Chief Financial Officer of United Bancshares since 2001 and as the Treasurer since 2002.

CERTAIN BENEFICIAL OWNERS

Under Rule 13(d) of the Securities Exchange Act of 1934, a beneficial owner of a security is any person who directly or indirectly has or shares voting power or investment power over such security. Such beneficial owner under this definition need not enjoy the economic benefit of such securities. The shareholder identified in the following table is deemed to be beneficial owner of 5% or more of the common stock of United Bancshares as of December 31, 2005. The Company is not aware of any other shareholder beneficially owning 5% or more of the Company's common stock.

Title of Class	Name and Address of Beneficial Owner	Numbers of Shares Beneficially Owned	Percent of Class
Common	Joe S. Edwards, Jr. 2626 Shoreline Drive Lima, Ohio 45805	185,101	5.11%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of conducting its business, United Bancshares, for itself or through its banking subsidiary, may engage in transactions with the employees, directors and managers of United Bancshares and The Union Bank Company which may include, but not be limited to, loans. With the exception of certain discounts available to employees which are administered in accordance with Ohio banking law, all banking transactions with directors,

employees or managers of United Bancshares, or its subsidiary, are conducted on the same basis and terms as would be provided to any other bank customer. In addition, each of these transactions was made on terms similar to those that could have been negotiated with an unaffiliated third party.

To the knowledge of United Bancshares, no director, officer or affiliate of the Company, owner of record or beneficially of more than 5% of the Company's common stock, or any associate of any such director, officer, affiliate of the Company or security holder, is an adverse party to the Company or its subsidiary or has a material interest that is adverse to the Company or its subsidiary.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires United Bancshares' officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required to furnish United Bancshares with copies of all Section 16(a) forms they file. All such forms were filed in a timely manner as required except three Forms 4 for purchases by Robert L. Dillhoff of 100, 100 and 540 shares respectively, which were not filed in a timely manner but have since been filed. Based solely on the Company's review of the Section 16(a) forms received by it and by statements of officers and directors concerning their compliance with the applicable filing requirements and with the exception of Mr. Dillhoff as described above, the officers, directors and greater than 10% beneficial owners of United Bancshares have complied with all applicable filing requirements.

CORPORATE GOVERNANCE

Board of Director and Shareholders Meetings

The Board of Directors met eleven (11) times during the fiscal year ended December 31, 2005. Each incumbent director attended at least 95% of the total number of Board meetings and six of the directors attended 100% of the total number of meetings. Nine directors attended the 2005 Annual Meeting of Shareholders. Directors receive \$8,000 annual compensation for their service on the Board of Directors of United Bancshares. Additionally, the Chairman of the Board receives \$3,000 and the Chairman of the Audit Committee receives \$1,500 for their service in these positions. Inside directors are not compensated for their services as directors beyond their salaries received from United Bancshares or its subsidiary. All of the directors of United Bancshares also serve as directors of United Bancshares' depository subsidiary, The Union Bank Company. Each of the outside directors may receive additional compensation for their services as a director of a subsidiary.

Board of Director Independence

Each year the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASD Rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members' current and historic relationships with the Company and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Company; and the relationships between the Company and other companies of which the Company's board members are directors or executive officers. After evaluating these factors, the Board of Directors has determined that all of the Directors, with the exception of Daniel W. Schutt, are independent directors of the Company within the meaning of applicable NASD Rules.

Independent members of the Board of Directors of the Company meet in executive session without management present, and are scheduled to do so at least two times per year. The Board of Directors has designated James N. Reynolds as the presiding director for these meetings.

Shareholder Communications

Our shareholders may communicate directly with the members of the Board of Directors or the individual chairman of standing committees of the Board of Directors by writing directly to those individuals at the following address: 100 South High Street, Columbus Grove, Ohio 45830. The Company's general policy is to forward, and not to intentionally screen, any mail received at the Company's corporate office that is sent directly to an individual.

Code of Ethics

On February 17, 2004, the Board of Directors adopted a Code of Ethics which is applicable to the Chief Executive Officer, Chief Financial Officer and all other senior financial officers. A copy of the Code of Ethics is attached hereto as Appendix B. In addition, the Board of Directors has adopted a code of ethics that applies to all of our employees, officers and directors.

COMMITTEES OF THE BOARD OF DIRECTORS

The Company has an Audit Committee the members of which are Joe S. Edwards, Jr., Robert L. Dillhoff, P. Douglas Harter and Robert L. Benroth. The Audit Committee was created and a written charter for the Audit Committee was adopted on August 8, 2000, and last amended on February 15, 2005. All of the members of the Audit Committee are (i) independent directors as defined in NASD Rule 4200; (ii) meet the criteria for independence set forth in Rule 10A(m)(3) of the Securities Exchange Act of 1934; and (iii) have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. The Board of Directors has determined that Joe S. Edwards, Jr. is an audit committee financial expert as defined in Item 401(h) of Regulation S-K. The Audit Committee has the sole authority to retain and dismiss the independent auditors and reviews their performance and independence with management. The primary functions of the Audit Committee are to oversee: (i) the independent audit of the financial statements of the Company provided to the SEC, the Corporation's shareholders and to the general public; (ii) the Corporation's internal financial and accounting controls and processes; and (iii) the independent audit process. The Audit Committee met a total of five (5) times during the fiscal year ended December 31, 2005. A copy of the Audit Committee Charter is attached hereto as Appendix C.

The Company has a Nominating Committee, the members of which are Robert L. Benroth, P. Douglas Harter and H. Edward Rigel. Each member of the Nominating Committee is independent within the meaning of applicable SEC and NASD Rules. The Nominating Committee was formed in 2003. This Committee is responsible for reviewing the qualifications of potential candidates for the Board of Directors, including those potential candidates submitted by shareholders. In addition, the Nominating Committee recommends to the Board of Directors candidates for election as directors at the Company's annual meetings and candidates to fill vacancies on the Board of Directors. Historically, United Bancshares has not received director candidate nominations from its shareholders and, therefore, does not have a formal policy regarding consideration of such recommendations. However, any recommendations received from shareholders will be evaluated in the same manner that potential nominees suggested by the Board of Directors are evaluated. Shareholders may send director nomination recommendations to the Secretary of the Company at 100 South High Street, Columbus Grove, Ohio 45830. The Nominating Committee met a total of one (1) time during the fiscal year ended December 31, 2005. The Nominating Committee has adopted a written charter. The Nominating Committee Charter is not available on the Company's website, however a copy of the charter is attached hereto as Appendix D.

It is a policy of the Nominating Committee that candidates for director possess the highest personal and professional integrity, have demonstrated exceptional ability and judgment, and have skills and expertise appropriate for the Company and serving the long-term interest of the Company's shareholders. The Nominating Committee's process for identifying and evaluating nominees is as follows: (1) in the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any related party transactions with the Company during the applicable time period; and (2) in the case of new director candidates, the Nominating Committee first conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating Committee meets to discuss and consider such candidates' qualifications, including whether the nominee is independent for purposes of the NASD Rules, and then selects a candidate for recommendation to the Board of Directors by majority vote. In seeking potential nominees, the Nominating Committee uses its network of contacts to compile a list of potential candidates. To date, the Nominating Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

United Bancshares has a Compensation Committee, the members of which are David P. Roach, R. Steven Unverferth and Robert L. Dillhoff. Each member of the Compensation Committee is independent within the meaning of applicable NASD Rules and non-employee directors within the meaning of Section 162 of the Internal Revenue Code and Rule 16b-3 under the Exchange Act. The Compensation Committee is responsible for reviewing the compensation, performance and retention related issues with respect to the executive officers of United Bancshares. The Compensation Committee met a total of two (2) times during the fiscal year ended December 31, 2005.

Audit Committee Report

The Audit Committee of United Bancshares Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of four directors, each of whom is independent within the meaning of applicable NASD Rules. The Audit Committee operates under a written charter approved by the Board of Directors. A copy of the Audit Committee Charter is attached hereto as Appendix C.

Management of the Company is responsible for the Company's financial reporting process, including its system of internal control, and for the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles. The Company's auditors are responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes.

The Audit Committee has reviewed and discussed the audited consolidated financial statements with management. The Committee has also reviewed and discussed with Clifton Gunderson LLP, the Company's independent auditors, the matters required to be discussed by SAS 61 (Statement on Auditing Standards), as may be modified or supplemented. The Audit Committee also discussed with the independent auditors the overall quality of the Company's accounting policies.

The Audit Committee also has received the written disclosures from the independent accountants regarding its independence within the meaning of the Securities Acts administered by the Securities and Exchange Commission and, as required, has discussed with Clifton Gunderson its independence.

Based on the foregoing discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed with the SEC.

This report has been provided by the Audit Committee:

Robert L. Dillhoff

P. Douglas Harter

Joe S. Edwards, Jr.

Robert L. Benroth

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the compensation paid by United Bancshares on a consolidated basis to the chief executive officer and chief financial officer. There were no other named executive officers whose total compensation exceeded \$100,000 for the year ended December 31, 2005.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation			All Other Compensation ⁽¹⁾
		Salary	Bonus	Other Annual Comp.	Rest. Stock Award	Securities Underlying Options/SAR (#)	
D a n i e l W . Schutt	2005	\$ 231,102	\$25,000	N/A	N/A	N/A	\$ 18,767
	2004	N/A	N/A	N/A	N/A	N/A	N/A

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President and Chief Executive Officer of United Bancshares ⁽²⁾	2003	N/A	N/A	N/A	N/A	N/A	N/A
E. Eugene Lehman Former Chief Executive Officer and President of United Bancshares ⁽³⁾	2005	N/A	N/A	N/A	N/A	N/A	N/A
	2004	\$ 146,484	\$ 0	NA	NA	NA	\$ 699,648
	2003	\$ 141,200	\$ 0	NA	NA	NA	\$ 51,270
Brian D. Young Chief Financial Officer of United Bancshares ⁽⁴⁾	2005	\$ 141,842	\$ 500	N/A	N/A	N/A	\$ 13,716
	2004	\$	\$ 2,436	NA	NA	NA	\$ 11,507
	2003	115,039	\$ 5,024	NA	NA	NA	\$ 9,102
		\$ 96,114					

(1)

Amounts included as All Other Compensation for Mr. Schutt, Mr. Lehman and Mr. Young consist of discretionary and matching contributions to the Employee Stock Ownership Plan and accruals to the Company's supplemental employee retirement plan. In addition, Mr. Lehman's amount for 2004 includes a severance payout of \$604,917 made in November, 2004.

(2)

Mr. Schutt has served as President and Chief Executive Officer of United Bancshares since January 24, 2005.

(3)

Mr. Lehman retired from his position as Chief Executive Officer and President of United Bancshares on December 1, 2004.

(4)

Mr. Young served as Interim President and Chief Executive Officer of United Bancshares until January 24, 2005, upon the retirement of Mr. Lehman on December 1, 2004.

Executive Supplemental Income Plan

The Union Bank Company sponsors the Executive Supplemental Income Plan, a non-qualified retirement plan that benefits certain individuals designated by the Board of Directors of the Bank. The supplemental income plan provides eligible individuals with supplemental retirement benefits, the amount of which is based upon the individual's years of service with The Union Bank Company. Currently, Mr. Schutt is among those persons who participate in the plan.

The formula by which benefits are determined is based upon age, years of service, age at retirement and actuarially determined variables. Under this plan, Mr. Schutt's annual retirement benefit, if he retires at age 65, will be \$40,000 per year for fifteen years. Mr. Young's annual retirement benefit, if he retires at age 65, will be \$15,000 per year for fifteen years.

The supplemental income plan also provides benefits to those designated individuals who die prior to reaching normal retirement age or who become disabled. In addition, the supplemental income plan provides that the designated individuals who are covered under the plan will become fully vested in his or her benefit upon a change in control.

Upon a change in control, The Union Bank Company and the designated individual may agree to accelerate the payment of benefits provided under the plan. Upon such an event, the benefit will be distributed in a single payment in an amount equal to the present value of the designated individual's benefit discounted at an 8% interest rate.

Benefits under the supplemental income plan become payable when the designated individual's employment terminates with The Union Bank Company due to normal retirement, early retirement, death or disability.

Report on Executive Compensation

The Board of Directors of the Company is responsible for developing the Company's executive compensation principles, policies and programs for all executive officers of the Company. The Compensation Committee of the Board of Directors is responsible for determining the compensation to be paid to the executive officers and for the performance review of the Chief Executive Officer.

The Company's compensation programs are designed to provide its executive officers with market competitive salaries and the opportunity to earn incentive compensation related to performance expectations identified by the Company's Board of Directors and the board of directors of the subsidiary. The objectives of the Company's executive compensation program are to:

(a)

Support the achievement of the Company's annual and long-term goals and objectives as determined annually by the Company's Board of Directors;

(b)

Establish base salaries targeted at a median level for comparable positions within a comparison group of companies in the banking industry (the Comparison Group), with incentive opportunities designed to pay total compensation that are above average for outstanding bank performance; and

(c)

Provide compensation plans and arrangements that encourage the retention of better-performing executives.

The Company's executive compensation policies seek to provide an opportunity for compensation that varies with performance and which compares favorably to levels provided to executives within the Comparison Group.

The Company seeks to set base salaries for the Company's executive officers at levels which are competitive with median levels for executives with similar roles and responsibilities within the Comparison Group. In setting annual salaries for individuals, the Board of Directors, or the Compensation Committee in the case of the Chief Executive Officer, first considers the compensation paid for similar positions in the banking industry and the executive's experience, level and scope of responsibility as a benchmark reference. The Board of Directors, or the Compensation Committee in the case of the Chief Executive Officer, then considers the individual performance of the executive measured against the Company's expectations in developing its salary increase recommendations.

The compensation of executive officers of the Company and its subsidiary^{990 6205} includes (i) base salary and (ii) annual cash bonuses. Executive officers also receive various benefits generally available to all employees of the Company, such as participation in a defined contribution profit-sharing plan and medical plans.

The Board of Directors of United Bancshares:

Robert L. Benroth	P. Douglas Harter	David P. Roach
Robert L. Dillhoff	James N. Reynolds	R. Steven Unverferth
Joe S. Edwards	H. Edward Rigel	Daniel W. Schutt

The Compensation Committee of the Board of Directors:

David P. Roach, Robert L. Dillhoff and R. Steven Unverferth

PERFORMANCE GRAPH