

UNITED BANCSHARES INC/OH
Form 10-Q
April 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

Commission file number 000-29283

UNITED BANCSHARES, INC.
(Exact name of Registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or organization)

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

34-1516518
(I.R.S. Employer Identification Number)

45830
(Zip Code)

(419) 659-2141
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ___

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

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller Reporting Company X

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

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 19, 2013:

3,446,746

This document contains 41 pages. The Exhibit Index is on page 35 immediately preceding the filed exhibits.

UNITED BANCSHARES, INC.

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PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

United Bancshares, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash and due from banks	\$ 7,287,060	\$ 10,605,662
Interest-bearing deposits in other banks	39,336,683	39,306,145
Total cash and cash equivalents	46,623,743	49,911,807
SECURITIES, available-for-sale	183,198,079	177,607,765
FEDERAL HOME LOAN BANK STOCK, at cost	4,893,800	4,893,800
CERTIFICATES OF DEPOSIT	2,490,000	2,490,000
LOANS HELD FOR SALE	1,177,625	2,957,060
LOANS	299,921,454	304,445,298
Less allowance for loan losses	(5,922,658)	(6,917,605)
Net loans	293,998,796	297,527,693
PREMISES AND EQUIPMENT, net	9,202,661	9,217,876
GOODWILL	8,554,979	8,554,979
CASH SURRENDER VALUE OF LIFE INSURANCE	13,866,308	13,761,183
OTHER REAL ESTATE OWNED	882,954	1,568,000
OTHER ASSETS, including accrued interest and intangible assets	4,266,329	3,957,465
TOTAL ASSETS	\$ 569,155,274	\$ 572,447,628
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Non-interest bearing	\$ 68,007,324	\$ 77,924,051
Interest bearing	401,769,313	393,275,063
Total deposits	469,776,637	471,199,114
Other borrowings	21,799,303	22,557,220
Junior subordinated deferrable interest debentures	10,300,000	10,300,000
Accrued expenses and other liabilities	2,957,558	4,221,089
Total liabilities	504,833,498	508,277,423
SHAREHOLDERS' EQUITY		
Common stock, \$1.00 stated value. Authorized 10,000,000 shares; issued 3,760,557 shares	3,760,557	3,760,557
Surplus	14,662,845	14,661,664
Retained earnings	47,781,152	46,855,865
Accumulated other comprehensive income	2,915,723	3,697,363

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Treasury stock 313,811 shares at March 31, 2013 and 314,252 shares at December 31, 2012, at cost	(4,798,501)	(4,805,244)
Total shareholders' equity	64,321,776	64,170,205
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 569,155,274	\$ 572,447,628

See notes to consolidated financial statements

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

	Three months ended March 31,	
	2013	2012
INTEREST INCOME		
Loans, including fees	\$3,720,951	\$4,673,552
Securities:		
Taxable	577,123	655,049
Tax-exempt	452,961	457,112
Other	83,324	91,047
Total interest income	4,834,359	5,876,760
INTEREST EXPENSE		
Deposits	543,410	1,096,261
Other borrowings	273,206	363,867
Total interest expense	816,616	1,460,128
NET INTEREST INCOME	4,017,743	4,416,632
Provision for loan losses	-	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,017,743	4,416,632
NON-INTEREST INCOME		
Gain on sales of loans	217,905	255,528
Gain on sales of securities	129,220	1,206
Change in fair value of mortgage servicing rights	56,429	112,134
Other	721,694	685,575
Total non-interest income	1,125,248	1,054,443
NON-INTEREST EXPENSES	3,766,367	4,235,261
INCOME BEFORE INCOME TAXES	1,376,624	1,235,814
Provision for income Taxes	279,000	233,000
NET INCOME	\$1,097,624	\$1,002,814
NET INCOME PER SHARE		
Basic	\$0.32	\$0.29
Weighted average common shares outstanding	3,446,717	3,445,962
Diluted	\$0.32	\$0.29
Weighted average common shares outstanding	3,446,717	3,445,962

See notes to consolidated financial statements

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

	Three months ended March 31,	
	2013	2012
NET INCOME	\$ 1,097,624	\$ 1,002,814
OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities:		
Unrealized holding losses during period	(1,055,083)	(7,484)
Reclassification adjustments for gains included in net income	(129,220)	(1,206)
Other comprehensive loss, before income taxes	(1,184,303)	(8,690)
Income tax benefit related to items of other comprehensive loss	402,663	2,955
Other comprehensive loss	(781,640)	(5,735)
COMPREHENSIVE INCOME	\$ 315,984	\$ 997,079

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity (Unaudited)
Three months ended March 31, 2013 and 2012

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2012	\$ 3,760,557	\$ 14,661,664	\$ 46,855,865	\$ 3,697,363	\$ (4,805,244)	\$ 64,170,205
Net income			1,097,624			1,097,624
Change in unrealized gain on available-for-sale securities, net of income taxes				(781,640)		(781,640)
Total comprehensive income						315,984
Dividends declared (\$0.05 per share)			(172,337)			(172,337)
441 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan		1,181			6,743	7,924
BALANCE AT MARCH 31, 2013	\$ 3,760,557	\$ 14,662,845	\$ 47,781,152	\$ 2,915,723	\$ (4,798,501)	\$ 64,321,776
BALANCE AT DECEMBER 31, 2011	\$ 3,760,557	\$ 14,660,579	\$ 42,543,363	\$ 3,598,031	\$ (4,814,816)	\$ 59,747,714
Net income			1,002,814			1,002,814
Change in unrealized gain on available-for-sale securities, net of income taxes				(5,735)		(5,735)
Total comprehensive income						997,079
314 shares issued from treasury in connection with the Corporation's Employee Stock Purchase Plan		446			4,801	5,247
BALANCE AT MARCH 31, 2012	\$ 3,760,557	\$ 14,661,025	\$ 43,546,177	\$ 3,592,296	\$ (4,810,015)	\$ 60,750,040

See notes to consolidated financial statements

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

	Three months ended March 31,	
	2013	2012
Cash flows provided by operating activities	\$1,864,872	\$785,856
Cash flows used by investing activities:		
Proceeds from calls or maturities of securities	11,360,439	9,354,127
Proceeds from sales of available-for-sale securities	8,821,116	-
Purchases of available-for-sale securities	(27,070,210)	(16,504,011)
Net decrease in loans	3,528,897	5,531,186
Purchases of certificates of deposit	-	(249,000)
Proceeds from sale of other real estate owned	650,046	818,950
Expenditures for premises and equipment	(98,417)	-
Net cash used by investing activities	(2,808,129)	(1,048,748)
Cash flows used by financing activities:		
Net change in deposits	(1,422,477)	(3,554,093)
Long-term borrowings, net of repayments	(757,917)	(470,509)
Proceeds from issuance of common stock	7,924	5,247
Cash dividends paid	(172,337)	-
Net cash used by financing activities	(2,344,807)	(4,019,355)
Net change in cash and cash equivalents	(3,288,064)	(4,282,247)
Cash and cash equivalents:		
At beginning of period	49,911,807	57,286,974
At end of period	\$46,623,743	\$53,004,727
Cash paid for:		
Interest	\$802,116	\$1,459,006
Income taxes	\$150,000	\$660,000
Non-cash investing activities:		
Change in net unrealized gain on available-for-sale securities	\$(1,055,083)	\$(7,484)

See notes to consolidated financial statements

United Bancshares, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2013

NOTE 1 – CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of United Bancshares, Inc. and subsidiaries (the “Corporation”) have been prepared without audit and in the opinion of management reflect all adjustments (which include normal recurring adjustments) necessary to present fairly such information for the periods and dates indicated. Since the unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q, they do not contain all information and footnotes typically included in financial statements prepared in conformity with generally accepted accounting principles. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The balance sheet as of December 31, 2012 is derived from completed audited consolidated financial statements with footnotes, which are included in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2012.

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

Certain reclassifications of prior period amounts have been made to conform to the current presentation.

NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, The FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, amending ASC Topic 210 requiring an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. In January 2013, the FASB issued ASU 2013-01 to amend and clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASC Topic 815, derivatives and hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement. The amendments are effective for annual and interim periods beginning on or after January 1, 2013, and the adoption did not impact the Corporation’s financial statements.

United Bancshares, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2013

NOTE 3 - SECURITIES

The amortized cost and fair value of available-for-sale securities as of March 31, 2013 and December 31, 2012 are as follows (dollars in thousands):

	March 31, 2013		December 31, 2012	
	Amortized cost	Fair value	Amortized cost	Fair value
U.S. Government and agencies	\$15,633	\$15,677	\$15,489	\$15,554
Obligations of states and political subdivisions	55,023	57,294	51,122	53,919
Mortgage-backed	107,622	109,702	104,893	107,607
Other	502	525	502	528
Total	\$178,780	\$183,198	\$172,006	\$177,608

A summary of gross unrealized gains and losses on available-for-sale securities as of March 31, 2013 and December 31, 2012 follows (dollars in thousands):

	March 31, 2013		December 31, 2012	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
U.S. Government and agencies	\$53	\$9	\$69	\$3
Obligations of states and political subdivisions	2,445	174	2,863	67
Mortgage-backed	2,205	125	2,732	18
Other	23	-	26	-
Total	\$4,726	\$308	\$5,690	\$88

United Bancshares, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2013

NOTE 4 – LOANS

The following table presents the activity in the allowance for loan losses by portfolio segment for the periods ending March 31, 2013 and 2012:

	Commercial	Commercial and multi-family real estate	Residential real estate	Consumer	Total
Balance at December 31, 2012	\$ 1,027,837	\$ 5,240,175	\$ 602,291	\$ 47,302	\$ 6,917,605
Provision charged to expenses	(213,665)	313,335	(83,719)	(15,951)	-
Losses charged off	-	(1,007,834)	-	(4,756)	(1,012,590)
Recoveries	8,547	-	-	9,096	17,643
Balance at March 31, 2013	\$ 822,719	\$ 4,545,676	\$ 518,572	\$ 35,691	\$ 5,922,658

	Commercial	Commercial and multi-family real estate	Residential real estate	Consumer	Total
Balance at December 31, 2011	\$ 2,596,629	\$ 4,847,234	\$ 998,941	\$ 100,563	\$ 8,543,367
Provision charged to expenses	(367,648)	600,197	(198,533)	(34,016)	-
Losses charged off	(319,172)	(993,165)	-	(7,745)	(1,320,082)
Recoveries	30,663	104,495	575	15,358	151,091
Balance at March 31, 2012	\$ 1,940,472	\$ 4,558,761	\$ 800,983	\$ 74,160	\$ 7,374,376

United Bancshares, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2013

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method for the periods ending March 31, 2013 and December 31 2012:

March 31, 2013	Commercial	Commercial and multi-family real estate	Residential real estate	Consumer	Total
Allowance for loan losses:					
Attributable to loans					
individually evaluated for impairment	\$ 363,517	\$ 1,800,889	\$ -	\$ -	\$ 2,164,406
Collectively evaluated for impairment	459,202	2,744,787	518,572	35,691	3,758,252
Total allowance for loan losses	\$ 822,719	\$ 4,545,676	\$ 518,572	\$ 35,691	\$ 5,922,658
Loans:					
Individually evaluated for impairment	\$ 1,187,033	\$ 13,204,896	\$ 315,808	\$ -	\$ 14,707,737
Collectively evaluated for impairment	46,538,371	178,647,573	55,877,205	4,150,568	285,213,717
Total ending loans balance	\$ 47,725,404	\$ 191,852,469	\$ 56,193,013	\$ 4,150,568	\$ 299,921,454
December 31, 2012	Commercial	Commercial and multi-family real estate	Residential real estate	Consumer	Total
Allowance for loan losses:					
Attributable to loans					
individually evaluated for impairment	\$ 415,010	\$ 2,506,940	\$ -	\$ -	\$ 2,921,950
Collectively evaluated for impairment	612,827	2,733,235	602,291	47,302	3,995,655
Total allowance for loan losses	\$ 1,027,837	\$ 5,240,175	\$ 602,291	\$ 47,302	\$ 6,917,605
Loans:					
Individually evaluated for impairment	\$ 1,241,149	\$ 14,153,259	\$ 169,904	\$ -	\$ 15,564,312
Collectively evaluated for impairment	49,324,136	177,011,839	58,148,753	4,396,258	288,880,986

Total ending loans balance	\$	50,565,285	\$	191,165,098	\$	58,318,657	\$
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