UNITED BANKSHARES INC/WV
Form 10-Q
May 08, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from _______ to _______

Commission File Number: 0-13322

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia	**55-0641179**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 United Center	**25301**

500 Virginia Street, East

Charleston, West Virginia
(Address of Principal Executive Offices) **Zip Code**
Registrant s telephone number, including area code: (304) 424-8704

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ **No** x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class - Common Stock, $2.50 Par Value; **50,274,104** shares outstanding as of **April 30, 2012**.

Table of Contents

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The March 31, 2012 and December 31, 2011, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income and comprehensive income for the three months ended March 31, 2012 and 2011, the related consolidated statement of changes in shareholders equity for the three months ended March 31, 2012, the related condensed consolidated statements of cash flows for the three months ended March 31, 2012 and 2011, and the notes to consolidated financial statements appear on the following pages.

Table of Contents

CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)

	March 31 2012 (Unaudited)	December 31 2011 (Note 1)
Assets		
Cash and due from banks	$ 135,246	$ 128,627
Interest-bearing deposits with other banks	653,566	506,367
Federal funds sold	1,019	1,009
Total cash and cash equivalents	789,831	636,003
Securities available for sale at estimated fair value (amortized cost-$719,556 at March 31, 2012 and $752,085 at December 31, 2011)	665,286	696,518
Securities held to maturity (estimated fair value-$56,348 at March 31, 2012 and $56,181 at December 31, 2011)	58,686	59,289
Other investment securities	66,964	68,412
Loans held for sale	7,401	3,902
Loans	6,212,746	6,240,213
Less: Unearned income	(12,626)	(3,503)
Loans net of unearned income	6,200,120	6,236,710
Less: Allowance for loan losses	(74,012)	(73,874)
Net loans	6,126,108	6,162,836
Bank premises and equipment	75,749	76,442
Goodwill	371,656	371,693
Accrued interest receivable	26,136	26,461
Other assets	341,652	349,914
TOTAL ASSETS	$ 8,529,469	$ 8,451,470
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,689,088	$ 1,619,162
Interest-bearing	5,192,522	5,199,848
Total deposits	6,881,610	6,819,010
Borrowings:		
Federal funds purchased	23,100	7,120
Securities sold under agreements to repurchase	240,233	247,646
Federal Home Loan Bank borrowings	141,712	141,809
Other long-term borrowings	203,586	203,557
Reserve for lending-related commitments	1,735	1,853
Accrued expenses and other liabilities	61,190	61,631
TOTAL LIABILITIES	7,553,166	7,482,626
Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares, none issued		
	127,169	127,169

Common stock, $2.50 par value; Authorized-100,000,000 shares; issued-50,867,630 at March 31, 2012 and December 31, 2011, including 593,526 and 654,682 shares in treasury at March 31, 2012 and December 31, 2011, respectively		
Surplus	237,224	238,761
Retained earnings	697,483	692,043
Accumulated other comprehensive loss	(65,295)	(66,758)
Treasury stock, at cost	(20,278)	(22,371)
TOTAL SHAREHOLDERS EQUITY	976,303	968,844
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,529,469	$ 8,451,470

See notes to consolidated unaudited financial statements.

4

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended March 31	
	2012	2011
Interest income		
Interest and fees on loans	$ 75,658	$ 65,858
Interest on federal funds sold and other short-term investments	343	292
Interest and dividends on securities:		
Taxable	4,864	6,662
Tax-exempt	923	1,045
Total interest income	81,788	73,857
Interest expense		
Interest on deposits	8,617	10,511
Interest on short-term borrowings	59	27
Interest on long-term borrowings	4,146	3,956
Total interest expense	12,822	14,494
Net interest income	68,966	59,363
Provision for loan losses	4,133	4,436
Net interest income after provision for loan losses	64,833	54,927
Other income		
Fees from trust and brokerage services	3,984	3,310
Fees from deposit services	10,312	9,631
Bankcard fees and merchant discounts	647	555
Other service charges, commissions, and fees	577	454
Income from bank-owned life insurance	1,289	1,175
Income from mortgage banking	318	234
Other income	658	851
Total other-than-temporary impairments	(746)	(3,016)
Portion of loss recognized in other comprehensive income	(631)	906
Net other-than-temporary impairment losses	(1,377)	(2,110)
Net (losses) gains on sales/calls of investment securities	(82)	551
Net investment securities losses	(1,459)	(1,559)
Total other income	16,326	14,651
Other expense		
Employee compensation	17,907	14,870
Employee benefits	5,192	4,378
Net occupancy expense	5,042	4,387
Other real estate owned (OREO) expense	2,328	1,767
Equipment expense	1,936	1,652

Data processing expense	3,209	2,925
Bankcard processing expense	299	293
FDIC insurance expense	1,555	2,337
Other expense	12,794	10,860
Total other expense	50,262	43,469
Income before income taxes	30,897	26,109
Income taxes	9,887	8,224
Net income	$ 21,010	$ 17,885

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended March 31	
	2012	**2011**
Earnings per common share:		
Basic	$ 0.42	$ 0.41
Diluted	$ 0.42	$ 0.41
Dividends per common share	$ 0.31	$ 0.30
Average outstanding shares:		
Basic	50,235,374	43,629,364
Diluted	50,300,538	43,700,436

See notes to consolidated unaudited financial statements

6

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended March 31	
	2012	**2011**
Net income	$ 21,010	$ 17,885
Change in net unrealized gain on of available-for-sale (AFS) securities, net of tax	844	884
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	1	1
Change in pension plan assets, net of tax	618	343
Comprehensive income, net of tax	$ 22,473	$ 19,113

See notes to consolidated unaudited financial statements

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2012						
	Common Stock				Accumulated Other Comprehensive Income (Loss)		
	Shares	Par Value	Surplus	Retained Earnings		Treasury Stock	Total Shareholders Equity
Balance at January 1, 2012	50,867,630	$ 127,169	$ 238,761	$ 692,043	($ 66,758)	($ 22,371)	$ 968,844
Comprehensive income:							
Net income	0	0	0	21,010	0	0	21,010
Other comprehensive income, net of tax:	0	0	0	0	1,463	0	1,463
Total comprehensive income, net of tax							22,473
Stock based compensation expense	0	0	389	0	0	0	389
Distribution of treasury stock for deferred compensation plan (2,937 shares)	0	0	0	0	0	86	86
Purchase of treasury stock (131 shares)	0	0	0	0	0	(4)	(4)
Cash dividends ($0.31 per share)	0	0	0	(15,570)	0	0	(15,570)
Grant of restricted stock (52,700 shares)	0	0	(1,816)	0	0	1,816	0
Common stock options exercised (5,650 shares)	0	0	(110)	0	0	195	85
Balance at March 31, 2012	50,867,630	$ 127,169	$ 237,224	$ 697,483	($ 65,295)	($ 20,278)	$ 976,303

See notes to consolidated unaudited financial statements

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended March 31	
	2012	**2011**
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 32,943	$ 36,638
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	569	2,533
Proceeds from sales of securities available for sale	1,969	11,727
Proceeds from maturities and calls of securities available for sale	390,665	209,786
Purchases of securities available for sale	(362,134)	(237,827)
Purchases of bank premises and equipment	(1,110)	(1,804)
Proceeds from sales and redemptions of other investment securities	1,448	1,719
Net change in loans	32,595	32,872
NET CASH PROVIDED BY INVESTING ACTIVITIES	64,002	19,006
FINANCING ACTIVITIES		
Cash dividends paid	(15,569)	(13,087)
Excess tax benefits from stock-based compensation arrangements	28	125
Acquisition of treasury stock	(4)	(4)
Proceeds from exercise of stock options	85	311
Distribution of treasury stock for deferred compensation plan	86	0
Repayment of long-term Federal Home Loan Bank borrowings	(97)	(50,091)
Changes in:		
Deposits	63,787	(1,611)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	8,567	78,095
NET CASH PROVIDED BY FINANCING ACTIVITIES	56,883	13,738
Increase in cash and cash equivalents	153,828	69,382
Cash and cash equivalents at beginning of year	636,003	461,389
Cash and cash equivalents at end of period	$ 789,831	$ 530,771

See notes to consolidated unaudited financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

1. GENERAL

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries (United or the Company) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States (GAAP) and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of March 31, 2012 and 2011 and for the three-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2011 has been extracted from the audited financial statements included in United s 2011 Annual Report to Shareholders. The accounting and reporting policies followed in the presentation of these financial statements are consistent with those applied in the preparation of the 2011 Annual Report of United on Form 10-K. To conform to the 2012 presentation, certain reclassifications have been made to prior period amounts, which had no impact on net income, comprehensive income, or stockholders equity. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal and recurring nature.

The accompanying consolidated interim financial statements include the accounts of United and its wholly owned subsidiaries. United considers all of its principal business activities to be bank related. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Dollars are in thousands, except per share or unless otherwise noted.

New Accounting Standards

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income , which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. ASU 2011-05 does not change the items that must be reported in other comprehensive income. The amendments of ASU 2011-05 were effective for fiscal years and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. However, certain provisions related to the presentation of reclassification adjustments have been deferred by ASU 2011-12, Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 . ASU 2011-12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-12 became effective for United on January 1, 2012 and did not have a significant impact on the Company s financial condition or results of operations.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs , to substantially converge the guidance in U.S. GAAP and IFRS on fair value measurements and disclosures. The amended guidance changes several aspects of the fair value measurement guidance ASC 820, Fair Value Measurement , and includes several new fair value disclosure requirements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on United s financial condition or results of operations.

Table of Contents

2. MERGERS AND ACQUISITIONS

At the close of business on July 8, 2011, United acquired 100% of the outstanding common stock of Centra Financial Holdings, Inc. (Centra), a West Virginia corporation headquartered in Morgantown, West Virginia. The acquisition of Centra affords United the opportunity to enhance its existing footprint in Maryland and West Virginia, as well as provide an entry into Pennsylvania. The results of operations of Centra are included in the consolidated results of operations from the date of acquisition.

At consummation, Centra had assets of approximately $1.31 billion, loans of $1.04 billion, deposits of $1.13 billion and shareholders equity of $131 million. The transaction was accounted for under the purchase method of accounting and accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date.

The aggregate purchase price was approximately $170 million, including common stock valued at $161.4 million and $8.6 million of cash paid for vested stock options and fractional shares. The number of shares issued in the transaction was 6,548,473, which were valued based on the closing market price of $24.65 for United s common shares on July 8, 2011. The preliminary purchase price has been allocated to the identifiable tangible and intangible assets resulting in preliminary additions to goodwill and core deposit intangibles of $60.10 million and $12.44 million, respectively. Because the consideration paid was greater than the net fair value of the acquired assets and liabilities, the Company recorded goodwill as part of the acquisition. None of the goodwill from the Centra acquisition is expected to be deductible for tax purposes. As a result of the merger, United recorded a downward fair value adjustment of $36.65 million on the loans acquired from Centra, a premium on interest-bearing deposits of $6.53 million and a discount of $564 thousand on junior subordinated debt securities. The discount and premium amounts are being amortized or accreted on an accelerated basis over each liability s estimated remaining life at the time of acquisition. At March 31, 2012, the premium on the interest-bearing deposits has an estimated remaining life of one year while the discount on the junior subordinated debt securities has an estimated remaining life of 4.25 years. United assumed approximately $621 thousand of liabilities to provide severance benefits to terminated employees of Centra which still has a remaining balance of $210 thousand as of March 31, 2012. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets, are subject to refinement as additional information becomes available. Any subsequent adjustments to the fair values of acquired assets and liabilities assumed, identifiable intangible assets, or other purchase accounting adjustments will result in adjustments to goodwill within the first 12 months following the date of acquisition.

In many cases, determining the estimated fair value of the acquired assets and assumed liabilities required United to estimate cash flows expected to result from those assets and liabilities and to discount those cash flows at appropriate rates of interest. The most significant of those determinations related to the fair valuation of acquired loans. The fair value of the acquired loans was based on the present value of the expected cash flows. Periodic principal and interest cash flows were adjusted for expected losses and prepayments, then discounted to determine the present value and summed to arrive at the estimated fair value. For such loans, the excess of cash flows expected at acquisition over the estimated fair value is recognized as interest income over the remaining lives of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition reflects the impact of estimated credit losses and other factors, such as prepayments. In accordance with GAAP, there was no carry-over of Centra s previously established allowance for credit losses. As a result, standard industry coverage ratios with regard to the allowance for credit losses are less meaningful after the acquisition of Centra.

The acquired loans were divided into loans with evidence of credit quality deterioration, which are accounted for under ASC topic 310-30 (acquired impaired) and loans that do not meet this criteria, which are accounted for under

Table of Contents

ASC topic 310-20 (acquired performing). Acquired impaired loans have experienced a deterioration of credit quality from origination to acquisition for which it is probable that United will be unable to collect all contractually required payments receivable, including both principal and interest. Subsequent decreases in the expected cash flows require United to evaluate the need for additions to the Company s allowance for credit losses. Subsequent improvements in expected cash flows generally result in the recognition of additional interest income over the then remaining lives of the loans.

In conjunction with the Centra merger, the acquired loan portfolio was accounted for at fair value as follows:

	July 8, 2011
Contractually required principal and interest at acquisition	$ 1,377,211
Contractual cash flows not expected to be collected	(33,879)
Expected cash flows at acquisition	1,343,332
Interest component of expected cash flows	(321,297)
Basis in acquired loans at acquisition estimated fair value	$ 1,022,035

Included in the above table is information related to acquired impaired loans. Specifically, contractually required principal and interest, cash flows expected to be collected and estimated fair value of acquired impaired loans were $72,647, $48,112, and $46,446, respectively.

The consideration paid for Centra s common equity and the amounts of acquired identifiable assets and liabilities assumed as of the acquisition date were as follows:

Purchase price:	
Value of common shares issued (6,548,473 shares)	$ 161,420
Cash for stock options and fractional shares	8,576
Total purchase price	169,996
Identifiable assets:	
Cash and cash equivalents	57,661
Investment securities	128,078
Loans held for sale	2,062
Loans	1,022,035
Premises and equipment	20,126
Core deposit intangibles	12,439
Other assets	51,656
Total identifiable assets	$ 1,294,057
Identifiable liabilities:	
Deposits	$ 1,132,885
Short-term borrowings	28,566
Long-term borrowings	19,436
Other liabilities	3,273
Total identifiable liabilities	1,184,160
Net assets acquired including identifiable intangible assets	109,897
Resulting goodwill	$ 60,099

The following table provides a reconciliation of goodwill:

	$XXXXX
Goodwill at December 31, 2011	$ 371,693
Reductions:	
Options exercised from previous acquisitions	(28)
Adjustment to goodwill from Centra acquisition	(9)
Goodwill at March 31, 2012	$ 371,656

Table of Contents

The following table discloses the impact of Centra since the acquisition on July 8, 2011 through the end of the first quarter of 2012. The table also presents certain unaudited pro forma information for the results of operations for the three months ended March 31, 2011, as if the Centra merger had occurred on January 1, 2011. These results combine the historical results of Centra into United s consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on the indicated date nor are they intended to represent or be indicative of future results of operations. In particular, no adjustments have been made to eliminate the amount of Centra s provision for credit losses for 2011 that may not have been necessary had the acquired loans been recorded at fair value as of the beginning of 2011. Additionally, United expects to achieve operating cost savings and other business synergies as a result of the acquisition which are not reflected in the pro forma amounts.

	Centra actual since acquisition through March 31, 2012	Proforma Three Months Ended March 31, 2011
Total Revenues [(1)]	$ 48,021	$ 89,532
Net Income	19,138	21,352

(1) Represents net interest income plus other income

3. INVESTMENT SECURITIES

Securities to be held for indefinite periods of time and all marketable equity securities are classified as available for sale and carried at estimated fair value. The amortized cost and estimated fair values of securities available for sale are summarized below:

	March 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI [(1)]
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 311,096	$ 135	$ 269	$ 310,962	$ 0
State and political subdivisions	92,464	4,106	2	96,568	0
Residential mortgage-backed securities					
Agency	155,697	7,321	57	162,961	0
Non-agency	34,405	581	2,080	32,906	2,080
Trust preferred collateralized debt obligations	101,388	0	60,604	40,784	46,691
Single issue trust preferred securities	15,253	342	3,935	11,660	0
Other corporate securities	4,995	157	0	5,152	0
Marketable equity securities	4,258	177	142	4,293	0
Total	$ 719,556	$ 12,819	$ 67,089	$ 665,286	$ 48,771

Table of Contents

	December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cumulative OTTI in AOCI (1)
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 303,484	$ 75	$ 12	$ 303,547	$ 0
State and political subdivisions	94,794	4,092	38	98,848	0
Residential mortgage-backed securities					
Agency	185,543	8,036	175	193,404	0
Non-agency	39,526	607	2,592	37,541	2,234
Trust preferred collateralized debt obligations	104,161	0	61,792	42,369	47,167
Single issue trust preferred securities	15,242	304	3,786	11,760	0
Other corporate securities	4,994	96	0	5,090	0
Marketable equity securities	4,341	80	462	3,959	0
Total	$ 752,085	$ 13,290	$ 68,857	$ 696,518	$ 49,401

(1) Other-than-temporary impairment in accumulated other comprehensive income. Amounts are before tax.

The following is a summary of securities available-for-sale which were in an unrealized loss position at March 31, 2012 and December 31, 2011.

	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2012				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 81,084	$ 269	$ 0	$ 0
State and political subdivisions	2,477	2	0	0
Residential mortgage-backed securities				
Agency	11,136	57	0	0
Non-agency	0	0	11,844	2,080
Trust preferred collateralized debt obligations	0	0	40,784	60,604
Single issue trust preferred securities	497	3	6,730	3,932
Marketable equity securities	960	121	289	21
Total	$ 96,154	$ 452	$ 59,647	$ 66,637
December 31, 2011				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 196,988	$ 12	$ 0	$ 0
State and political subdivisions	3,760	25	968	13
Residential mortgage-backed securities				
Agency	14,789	175	0	0
Non-agency	0	0	12,369	2,592
Trust preferred collateralized debt obligations	0	0	42,369	61,792
Single issue trust preferred securities	412	88	6,956	3,698
Marketable equity securities	2,009	433	133	29
Total	$ 217,958	$ 733	$ 62,795	$ 68,124

Marketable equity securities consist mainly of equity securities of financial institutions and mutual funds within a

14

rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries. The following table shows the proceeds from maturities, sales and calls of available for sale securities and the gross realized gains and losses on sales and calls of those securities that have been included in earnings as a result of those sales and calls. Gains or losses on sales and calls of available for sale securities were recognized by the specific identification method. The realized losses relate to sales of securities within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

	Three Months Ended March 31	
	2012	2011
Proceeds from sales and calls	$ 392,634	$ 221,513
Gross realized gains	26	593
Gross realized losses	108	21

At March 31, 2012, gross unrealized losses on available for sale securities were $67,089 on 79 securities of a total portfolio of 376 available for sale securities. Securities in an unrealized loss position at March 31, 2012 consisted primarily of pooled trust preferred collateralized debt obligations (TRUP CDOs), single issue trust preferred securities and non-agency residential mortgage-backed securities. The TRUP CDOs and the single issue trust preferred securities relate mainly to securities of financial institutions. In determining whether or not a security is other-than-temporary impaired, management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

Non-agency residential mortgage-backed securities

The majority of the non-agency residential mortgage-backed security portfolio is rated either AAA or AA. The unrealized loss on the non-agency residential mortgage-backed securities portfolio relates primarily to below investment grade securities of various private label issuers. The Company has no exposure to real estate investment trusts (REITS) in its investment portfolio. Approximately 62% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 38% includes collateral that was originated in the years of 2006 and 2007. Ninety-eight percent of the non-agency residential mortgage securities are either the senior or super-senior tranches of their respective structure. In determining whether or not the non-agency mortgage-backed securities are other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a quarterly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a monthly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test for each bond below investment grade. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. CDR and loss severities are forecasted by management after full evaluation of the underlying collateral including recent performance statistics. At March 31, 2012, United determined that two non-agency residential mortgage-backed securities were deemed to have other-than-temporary-impairment. The credit-related other-than-temporary impairment recognized in earnings for the first quarter of 2012 on these non-agency residential mortgage-backed securities, which are not expected to be sold, was $154 thousand. Of the securities that were deemed to have other-than-temporary impairment during the quarter, the security specific assumptions utilized ranged from a CDR of 4.0% to 5.5% in year 1, 3.5% to 6.0% in year 2, and 1.0% to 5.5% for the remaining life of the security. The loss severity upon default assumptions ranged from 20.0% to 70.0%, while the constant prepayment rate assumptions ranged from 5.0% to 18.0% annually.

Single issue trust preferred securities

The majority of United s single-issue trust preferred portfolio consists of obligations from large cap banks (i.e. banks with market capitalization in excess of $10 billion). Management reviews each issuer s current and projected earnings trends, asset quality, capitalization levels, TARP participation status, and other key factors. Upon completing the review for the first quarter of 2012, it was determined that none of the single issue securities were other-than-temporarily impaired. With the exception of two securities, all single-issue trust preferred securities are currently receiving interest payments. The two securities that are deferring interest payments are from the same issuer with a total amortized cost of $633 thousand. The issuer has the contractual ability to defer interest payments for up to 5 years. The available for sale single issue trust preferred securities ratings ranged from a low of CC to a high of BBB. The amortized cost of available for sale single issue trust preferred securities as of March 31, 2012 consisted of $4.46 million in split-rated bonds and $10.79 million in below investment grade bonds.

Trust preferred collateralized debt obligations (TRUP CDOs)

In analyzing the duration and severity of the losses on TRUP CDOs, management considered the following: (1) the market for these securities was not active as evidenced by the lack of trades and the severe widening of the bid/ask spread; (2) the markets for TRUP CDOs are dysfunctional with no significant transactions to report; (3) low market prices for certain bonds, in the overall debt markets, were evidence of credit stress in the general markets and not necessarily an indication of credit problems with a particular issuer; and (4) the general widening in overall risk premiums over the past four years in the broader markets was responsible for a significant amount of the price decline in the TRUP CDO portfolio.

At March 31, 2012, United determined that certain TRUP CDOs were other-than-temporarily impaired. Management completed an in-depth analysis of the collateral pool, cash flow waterfall structure, and expected cash flows of the TRUP CDO portfolio. To determine a net realizable value and assess whether other-than-temporary impairment existed, management performed detailed cash flow analysis to determine whether, in management s judgment, it was more likely that United would not recover the entire amortized cost basis of the security. Management s cash flow analysis was performed for each security and considered the current deferrals and defaults within the underlying collateral, the likelihood that current deferrals would cure or ultimately default, potential future deferrals and defaults, potential prepayments, cash reserves, excess interest spread, credit analysis of the underlying collateral and the priority of payments in the cash flow structure. The underlying collateral analysis for each issuer took into consideration multiple factors including TARP participation, capital adequacy, earnings trends and asset quality. After completing its analysis of estimated cash flows, management determined that an adverse change in cash flows had occurred for certain TRUP CDOs as the expected discounted cash flows from these particular securities were less than the discounted cash flows originally expected at purchase or from the previous date of other-than-temporary impairment (cash flows are discounted at the contractual coupon rate for purposes of assessing OTTI). Therefore, based upon management s analysis and judgment, certain TRUP CDOs were determined to be other-than-temporarily impaired. The credit-related other-than-temporary impairment recognized in earnings for the first quarter of 2012 related to these securities was $1.22 million. At March 31, 2012, the balance of the noncredit-related other-than-temporary impairment recognized on United s TRUP CDO portfolio was $46.69 million as compared to $47.17 million at December 31, 2011.

The amortized cost of available for sale TRUP CDOs in an unrealized loss position for twelve months or longer as of March 31, 2012 consisted of $9.33 million in investment grade bonds, $5.00 million in split-rated bonds and $87.06 million in below investment grade bonds.

Table of Contents

The following is a summary of the available for sale TRUP CDOs in an unrealized loss position twelve months or greater as of March 31, 2012:

Class		Amortized Cost	Fair Value	Unrealized Loss	Amortized Cost Investment Grade	Split Rated	Below Investment Grade
Senior	Bank	$ 10,045	$ 5,107	$ 4,938	$ 0	$ 5,000	$ 5,045
Senior	Insurance	9,332	6,999	2,333	9,332	0	0
Mezzanine	Bank (now in senior position)	13,230	5,748	7,482	0	0	13,230
Mezzanine	Bank	56,816	18,412	38,404	0	0	56,816
Mezzanine	Insurance	6,500	3,115	3,385	0	0	6,500
Mezzanine	Bank & Insurance (combination)	5,465	1,403	4,062	0	0	5,465
Totals		$ 101,388	$ 40,784	$ 60,604	$ 9,332	$ 5,000	$ 87,056

Management also considered the ratings of the Company s bonds in its portfolio and the extent of downgrades in United s impairment analysis. However, due to historical discrepancies in ratings from the various rating agencies, management considered it imperative to independently perform its own credit analysis based on cash flows as described. The ratings of the investment grade pooled trust preferred securities in the table above range from a low of BBB to a high of A+. The ratings of the split-rated pooled trust preferred securities range from a low of CCC to a high of Baa2, while the below investment grade pooled trust preferred securities range from a low of D to a high of Baa1. The available for sale single issue trust preferred securities ratings range from a low of CC to a high of BBB.

The Company has recognized cumulative credit-related other-than-temporary impairment of $31.17 million on fifteen pooled trust preferred securities since the third quarter of 2009. Of the remaining eight securities that have not been deemed to be other-than-temporally impaired, the collateralization ratios range from a low of 68.9% to a high of 284.9%, with a median of 105.4%, and a weighted average of 143.9%. The collateralization ratio is defined as the current performing collateral in a security, divided by the current balance of the specific tranche the Company owns, plus any debt which is senior or pari passu with the Company s security s priority level. Performing collateral excludes the balance of any issuer that has either defaulted or has deferred its interest payment.

The following schedule reflects data and certain assumptions that are utilized in the other-than-temporary impairment analysis of the TRUP CDO s at March 31, 2012:

Class		Amortized Cost	% of issuers currently performing (1)	% of original collateral defaulted (2)	% of original collateral deferring (3)	Projected Prepayment Rate (4)	Lifetime additional projected loss from performing collateral (5)	Credit Related OTTI (6)
Senior	Bank	$ 10,045	79.8 - 85.6%	12.9 - 13.3%	6.3 - 15.0%	0.5 - 1.0%	5.8 - 6.2%	$ 793
Senior	Insurance	9,332	82.8 - 94.9%	0.0 - 0.0%	3.5 - 9.3%	1.0 - 1.0%	6.3 - 6.6%	0
Mezzanine	Bank (now in senior position)	13,230	69.7 - 78.4%	2.7 - 9.1%	1.9 - 4.4%	0.5 - 1.0%	7.8 - 8.7%	5,600
Mezzanine	Bank	56,816	61.7 - 93.9%	7.5 - 20.6%	4.6 - 30.7%	0.3 - 1.0%	7.1 - 10.4%	22,173
Mezzanine	Insurance	6,500	81.8 - 82.8%	0.0 - 0.0%	9.3 - 11.6%	0.0 - 1.0%	6.3 - 8.8%	0
Mezzanine	Bank & Ins.	5,465	61.6 - 84.7%	13.4 - 18.8%	10.7 - 31.2%	0.3 - 0.5%	6.3 - 9.4%	2,601

(1) Represents performing collateral as a percent of non-defaulted, current collateral outstanding. In the Mezzanine Bank line, the percentage of issuers currently performing ranges from 61.7% to 93.9%. The weighted average percentage of performing collateral is 76.9%.

(2) Defaulted collateral is identified as defaulted when the issuer has been closed by a regulator. All defaults are assumed to have a zero percent recovery in the OTTI cash flow model.

(3) Deferring collateral is identified when the Company becomes aware that an issuer has announced or elected to defer interest payments on its trust preferred debt. The Company utilizes issuer specific loss assumptions on deferring collateral that range from 100% cure to 100%

loss.

(4) Management utilizes an annual prepayment rate in its assumptions to calculate OTTI. The prepayment rate is pool specific and is assigned based upon management s estimate of potential prepayments over the life of the security.

(5) Management applied an annual constant default rate to the performing collateral balance for each pool ranging from 0.38% to 1.20%. The calculation in the chart above represents the sum of the incremental projected losses over the remaining life of the security as a percentage of the performing collateral.

(6) Credit-related OTTI represents the cumulative credit-related other-than-temporary impairment recognized over the life of the security.

Except for the securities that have already been deemed to be other than temporarily impaired, management does not believe any other individual security with an unrealized loss as of March 31, 2012 is other-than-temporarily impaired. For debt securities, United believes the decline in value resulted from changes in market interest rates, credit spreads and liquidity, not a change in the expected contractual cash flows. Based on a review of each of the securities in the investment portfolio, management concluded that it expected to recover the amortized cost basis of the investment in such securities. As of March 31, 2012, United does not intend to sell any impaired debt security nor is it anticipated that it would be required to sell any impaired debt security before the recovery of its amortized cost basis. For equity securities, United has evaluated the near-term prospects of the investment in relation to the severity and duration of any impairment and based on that evaluation, management does not believe any individual equity security is other-than-temporarily impaired. As of March 31, 2012, United has the ability and intent to hold these equity securities until a recovery of their fair value to at least the cost basis of the investment.

During the first quarter of 2012, United also evaluated all of its cost method investments to determine if certain events or changes in circumstances during the first quarter of 2012 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there were no events or changes in circumstances during the first quarter which would have an adverse effect on the fair value of any of its cost method securities. Therefore, no impairment was recorded.

Below is a progression of the credit losses on securities which United has recorded other-than-temporary charges on through earnings and other comprehensive income.

Balance of cumulative credit losses at December 31, 2011	$ 55,738
Additions for credit losses on securities for which OTTI was not previously recognized	43
Additions for additional credit losses on securities for which OTTI was previously recognized	1,334
Balance of cumulative credit losses at March 31, 2012	$ 57,115

The amortized cost and estimated fair value of securities available for sale at March 31, 2012 and December 31, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	March 31, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 169,294	$ 169,383	$ 259,162	$ 259,267
Due after one year through five years	225,493	228,250	128,279	130,898
Due after five years through ten years	82,852	87,708	91,031	96,345
Due after ten years	237,659	175,652	269,272	206,049
Marketable equity securities	4,258	4,293	4,341	3,959
Total	$ 719,556	$ 665,286	$ 752,085	$ 696,518

Table of Contents

The amortized cost and estimated fair values of securities held-to-maturity are summarized as follows:

	March 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,027	$ 2,535	$ 0	$ 13,562
State and political subdivisions	12,248	179	0	12,427
Residential mortgage-backed securities				
Agency	72	12	0	84
Non-agency	0	0	0	0
Single issue trust preferred securities	32,114	0	5,064	27,050
Other corporate securities	3,225	0	0	3,225
Total	$ 58,686	$ 2,726	$ 5,064	$ 56,348

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,062	$ 2,785	$ 0	$ 13,847
State and political subdivisions	12,794	207	1	13,000
Residential mortgage-backed securities				
Agency	77	12	0	89
Non-agency	0	0	0	0
Single issue trust preferred securities	32,116	0	6,111	26,005
Other corporate securities	3,240	0	0	3,240
Total	$ 59,289	$ 3,004	$ 6,112	$ 56,181

Even though the market value of the held-to-maturity investment portfolio is less than its cost, the unrealized loss has no impact on the net worth or regulatory capital requirements of United. As of March 31, 2012, the Company s three largest held-to-maturity single-issue trust preferred exposures were to Wells Fargo ($9.89 million), SunTrust Bank ($7.38 million), and Peoples Bancorp Inc. ($7.25 million). Other corporate securities consist mainly of bonds of corporations.

There were no gross realized gains or losses on calls and sales of held to maturity securities included in earnings for the first quarter of 2012 and 2011.

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2012 and December 31, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	March 31, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 465	$ 468	$ 1,011	$ 1,019
Due after one year through five years	8,532	9,562	8,548	9,684
Due after five years through ten years	10,350	11,939	10,370	12,115
Due after ten years	39,339	34,379	39,360	33,363
Total	$ 58,686	$ 56,348	$ 59,289	$ 56,181

The carrying value of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law, approximated $585,665 and $634,944 at March 31, 2012 and December 31, 2011, respectively.

4. LOANS

Major classes of loans are as follows:

	March 31, 2012	December 31, 2011
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	$ 740,373	$ 743,502
Nonowner-occupied commercial real estate	1,579,814	1,553,259
Other commercial loans	1,180,690	1,212,205
Total commercial, financial & agricultural	3,500,877	3,508,966
Residential real estate	1,862,806	1,897,658
Construction & land development	569,223	549,877
Consumer:		
Bankcard	10,574	11,519
Other consumer	269,266	272,193
Total gross loans	$ 6,212,746	$ 6,240,213

The table above does not include loans held for sale of $7,401 and $3,902 at March 31, 2012 and December 31, 2011, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

The outstanding balances in the table above includes acquired impaired loans from the Centra merger with a recorded investment of $37,135 and $38,954 or less than 1% of total gross loans, at March 31, 2012 and December 31, 2011, respectively. The contractual principal in these acquired impaired loans was $59,655 and $65,051 at March 31, 2012 and December 31, 2011, respectively. The balances above do not include future accretable net interest (i.e. the difference between the undiscounted expected cash flows and the recorded investment in the loan) on the acquired impaired loans.

Activity for the accretable yield for the first quarter of 2012 follows:

Accretable yield at the beginning of the period	$ 2,323
Additions	0
Accretion (including cash recoveries)	(778)
Net reclassifications to accretable from non-accretable	0
Disposals (including maturities, foreclosures, and charge-offs)	(91)

Accretable yield at the ending of the period	$ 1,454

United s subsidiary banks have made loans, in the normal course of business, to the directors and officers of United and its subsidiaries, and to their affiliates. Such related party loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $210,123 and $189,763 at March 31, 2012 and December 31, 2011, respectively.

5. CREDIT QUALITY

Management monitors the credit quality of its loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. United s method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest has been paid and the borrower has evidenced their ability to meet the contractual provisions of the note.

A loan is categorized as a troubled debt restructuring (TDR) if a significant concession is granted due to a deterioration in the financial condition of the borrower. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans with market terms on one loan and concessionary terms on the other loan, receipts of assets from a debtor in partial or full satisfaction of a loan, the extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, the reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, the reduction of accrued interest or any other concessionary type of renegotiated debt. As of March 31, 2012, United had TDRs of $4,335 as compared to $3,592 as of December 31, 2011. Of the $4,335 aggregate balance of TDRs at March 31, 2012, $2,283 was on nonaccrual status and included in the Loans on Nonaccrual Status on the following page. Of the $3,592 aggregate balance of TDRs at December 31, 2011, $1,528 was on nonaccrual status and included in the Loans on Nonaccrual Status on the following page. As of March 31, 2012, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs.

A loan acquired and accounted for under ASC topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality is reported as an accruing loan and a performing asset.

Table of Contents

The following table sets forth United s troubled debt restructurings that have been restructured during the three months ended March 31, 2012, segregated by class of loans:

Troubled Debt Restructurings

For the Three Months Ended March 31, 2012

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	1	$ 731	$ 775
Nonowner-occupied	0	0	0
Other commercial	0	0	0
Residential real estate	0	0	0
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	1	$ 731	$ 775

At March 31, 2012, United had restructured loans in the amount of $2,052 that were modified by a reduction in the interest rate, $1,508 that were modified by a combination of a reduction in the interest rate and the principal and $775 that was modified by a combination of a reduction in the interest rate and change in terms. The loans were evaluated individually for allocation within United s allowance for loan losses. The modifications had an immaterial impact on the financial condition and results of operations for United. No loans restructured during the last twelve months subsequently defaulted, resulting in a principal charge-off during the first quarter of 2012.

The following table sets forth United s age analysis of its past due loans, segregated by class of loans:

Age Analysis of Past Due Loans

As of March 31, 2012

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	$ 4,890	$ 3,264	$ 8,154	$ 732,219	$ 740,373	$ 37
Nonowner-occupied	14,678	14,819	29,497	1,550,317	1,579,814	864
Other commercial	5,350	13,021	18,371	1,162,319	1,180,690	310
Residential real estate	45,241	26,204	71,445	1,791,361	1,862,806	7,196
Construction & land development	6,523	16,408	22,931	546,292	569,223	1,075
Consumer:						
Bankcard	318	120	438	10,136	10,574	120
Other consumer	3,952	300	4,252	265,014	269,266	214
Total	$ 80,952	$ 74,136	$ 155,088	$ 6,057,658	$ 6,212,746	$ 9,816

22

Table of Contents

Age Analysis of Past Due Loans

As of December 31, 2011

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	$ 4,625	$ 4,707	$ 9,332	$ 734,170	$ 743,502	$ 1,597
Nonowner-occupied	16,694	13,285	29,979	1,523,280	1,553,259	2,233
Other commercial	7,131	14,153	21,284	1,190,921	1,212,205	761
Residential real estate	52,654	26,617	79,271	1,818,387	1,897,658	8,833
Construction & land development	13,809	17,820	31,629	518,248	549,877	1,840
Consumer:						
Bankcard	222	176	398	11,121	11,519	176
Other consumer	5,739	841	6,580	265,613	272,193	739
Total	$ 100,874	$ 77,599	$ 178,473	$ 6,061,740	$ 6,240,213	$ 16,179

The following table sets forth United s nonaccrual loans, segregated by class of loans:

Loans on Nonaccrual Status

	March 31, 2012	December 31, 2011
Commercial real estate:		
Owner-occupied	$ 3,227	$ 3,110
Nonowner-occupied	13.955	11,052
Other commercial	12,711	13,392
Residential real estate	19,008	17,784
Construction & land development	15,333	15,980
Consumer:		
Bankcard	0	0
Other consumer	86	102
Total	$ 64,320	$ 61,420

United assigns credit quality indicators of either pass, special mention, substandard or doubtful to its loans. For United s loans with a corporate credit exposure, United internally assigns a grade based on the creditworthiness of the borrower. For loans with a consumer credit exposure, United internally assigns a grade based upon an individual loan s delinquency status. United updates these grades on a quarterly basis.

For loans with a corporate credit exposure, special mention loans have potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the Company s credit position at some future date. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or an ill proportioned balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a special mention rating. Nonfinancial reasons for rating a credit exposure special mention include management problems, pending litigation, an ineffective loan agreement or other material structural weakness, and any other significant deviation from prudent lending practices. For consumer credit exposures, loans that are past due 30-89 days are considered special mention.

A substandard loan with a corporate credit exposure is inadequately protected by the current sound worth and paying

Table of Contents

capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt by the borrower. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. They require more intensive supervision by management. Substandard loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants. For some substandard loans, the likelihood of full collection of interest and principal may be in doubt and thus, placed on nonaccrual status. For consumer credit exposures, loans that are 90 days or more past due or that have been placed on nonaccrual are considered substandard.

A loan with corporate credit exposure is classified as doubtful if it has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the loan, its classification as loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Pending events can include mergers, acquisitions, liquidations, capital injections, the perfection of liens on additional collateral, the valuation of collateral, and refinancing. Generally, there are not any loans with a consumer credit exposure that are classified as doubtful. Usually, they are charged-off prior to such a classification. Loans classified as doubtful are also considered impaired.

The following tables set forth United s credit quality indicators information, by class of loans:

Credit Quality Indicators

Corporate Credit Exposure

	As of March 31, 2012			
	Commercial Real Estate			Construction
	Owner-occupied	Nonowner-occupied	Other Commercial	& Land Development
Grade:				
Pass	$ 684,714	$ 1,436,098	$ 1,061,332	$ 488,618
Special mention	29,946	63,138	61,860	28,853
Substandard	25,713	80,578	54,504	51,752
Doubtful	0	0	2,994	0
Total	$ 740,373	$ 1,579,814	$ 1,180,690	$ 569,223

	As of December 31, 2011			
	Commercial Real Estate			Construction
	Owner-occupied	Nonowner-occupied	Other Commercial	& Land Development
Grade:				
Pass	$ 679,651	$ 1,407,006	$ 1,073,347	$ 462,517
Special mention	38,150	67,035	78,158	41,093
Substandard	25,701	79,218	57,436	45,267
Doubtful	0	0	3,264	1,000
Total	$ 743,502	$ 1,553,259	$ 1,212,205	$ 549,877

Table of Contents

Credit Quality Indicators

Consumer Credit Exposure

	As of March 31, 2012		
	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,773,587	$ 10,136	$ 265,338
Special mention	39,330	318	3,488
Substandard	49,889	120	440
Doubtful	0	0	0
Total	$ 1,862,806	$ 10,574	$ 269,266

	As of December 31, 2011		
	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,790,296	$ 11,079	$ 265,995
Special mention	56,722	304	5,366
Substandard	50,640	136	832
Doubtful	0	0	0
Total	$ 1,897,658	$ 11,519	$ 272,193

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, United does not consider loans for impairment unless a sustained period of delinquency (i.e. 90 days or more) is noted or there are subsequent events that impact repayment probability (i.e. negative financial trends, bankruptcy filings, eminent foreclosure proceedings, etc.). Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. Consistent with United s existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following table sets forth United s impaired loans information, by class of loans:

	Impaired Loans					
	March 31, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate:						
Owner-occupied	$ 3,441	$ 4,664	$ 0	$ 3,540	$ 4,934	$ 0
Nonowner-occupied	32,161	35,011	0	30,382	32,573	0
Other commercial	6,505	7,604	0	7,831	9,405	0
Residential real estate	17,231	18,593	0	18,750	20,613	0
Construction & land	20,212	32,660	0	23,654	33,172	0

development						
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	51	86	0	120	144	0
With an allowance recorded:						
Commercial real estate:						
Owner-occupied	$ 1,357	$ 1,357	$ 266	$ 1,638	$ 1,638	$ 269
Nonowner-occupied	2,082	2,409	631	2,086	2,413	596
Other commercial	20,365	22,365	5,060	20,453	22,630	5,888

25

Table of Contents

	Impaired Loans					
	March 31, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Residential real estate	9,619	10,108	2,685	8,868	10,867	1,925
Construction & land development	11,326	14,343	2,883	10,714	12,210	2,480
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total:						
Commercial real estate:						
Owner-occupied	$ 4,798	$ 6,021	$ 266	$ 5,178	$ 6,572	$ 269
Nonowner-occupied	34,243	37,420	631	32,468	34,986	596
Other commercial	26,870	29,969	5,060	28,284	32,035	5,888
Residential real estate	26,850	28,701	2,685	27,618	31,480	1,925
Construction & land development	31,538	47,003	2,883	34,368	45,382	2,480
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	51	86	0	120	144	0

	Impaired Loans For the Three Months Ended			
	March 31, 2012		March 31, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate:				
Owner-occupied	$ 6,884	$ 21	$ 11,733	$ 29
Nonowner-occupied	24,396	220	3,846	49
Other commercial	6,952	61	5,770	98
Residential real estate	17,347	167	7,390	76
Construction & land development	21,753	76	18,450	140
Consumer:				
Bankcard	0	0	0	0
Other consumer	52	0	0	0
With an allowance recorded:				
Commercial real estate:				
Owner-occupied	$ 1,694	$ 14	$ 0	$ 0
Nonowner-occupied	4,086	23	2,301	22
Other commercial	16,970	185	3,292	42
Residential real estate	9,684	90	11,722	88
Construction & land development	9,624	85	7,305	57
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	660	0
Total:				
Commercial real estate:				
Owner-occupied	$ 8,578	$ 35	$ 11,733	$ 29
Nonowner-occupied	28,482	243	6,147	71
Other commercial	23,922	246	9,062	140
Residential real estate	27,031	257	19,112	164
Construction & land development	31,377	161	25,755	197
Consumer:				
Bankcard	0	0	0	0
Other consumer	52	0	660	0

6. ALLOWANCE FOR CREDIT LOSSES

The allowance for loan losses is management s estimate of the probable credit losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific commercial loans based upon management s estimate of the borrowers ability to repay and other factors impacting collectibility. Other commercial loans not specifically reviewed on an individual basis are evaluated based on historical loss percentages applied to loan pools that have been segregated by the type of risk. Allocations for loans other than commercial loans are made based upon historical loss experience adjusted for current environmental conditions. The allowance for credit losses includes estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower s financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance accounts for the inherent imprecision in the allowance for credit losses analysis.

For purposes of determining the general allowance, the loan portfolio is segregated by loan product type to recognize differing risk profiles among loan categories. It is further segregated by credit grade for risk-rated loan pools and delinquency for homogeneous loan pools. The outstanding principal balance within each pool is multiplied by historical loss data and certain qualitative factors to derive the general loss allocation per pool. Specific loss allocations are calculated for loans in excess of $250 thousand in accordance with ASC topic 310. Risk characteristics of owner-occupied commercial real estate loans and other commercial loans are similar in that they are normally dependent upon the borrower s internal cash flow from operations to service debt. Nonowner-occupied commercial real estate loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions. During the first quarter of 2012, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. For commercial loans, when a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge-off all or a portion of that loan. Generally, any unsecured commercial loan more than six months delinquent in payment of interest must be charged-off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

For consumer loans, closed-end retail loans that are past due 120 cumulative days delinquent from the contractual due date and open-end loans 180 cumulative days delinquent from the contractual due date are charged-off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action. For a one-to-four family open-end or closed-end residential real estate loan, home equity loan, or high-loan-to-value loan that has reached 180 or more days past due, management evaluates the collateral position and charge-offs any amount that exceeds the value of the collateral. Retail credits for which the borrower is in bankruptcy, all amounts deemed unrecoverable are charged-off within 60 days or before of the receipt of the notification. On retail credits

Table of Contents

effected by fraud, a loan is charged-off within 90 days of the discovery of the fraud. In the event of the borrower s death and if repayment within the required timeframe is uncertain, the loan is generally charged-off as soon as the amount of the loss is determined.

United maintains an allowance for loan losses and a reserve for lending-related commitments such as unfunded loan commitments and letters of credit. The reserve for lending-related commitments of $1,735 and $1,853 at March 31, 2012 and December 31, 2011, respectively, is separately classified on the balance sheet and is included in other liabilities. The combined allowance for loan losses and reserve for lending-related commitments are referred to as the allowance for credit losses.

A progression of the allowance for loan losses, by loan portfolio segment, for the three months ended March 31, 2012 is summarized as follows:

Allowance for Loan Losses and Carrying Amount of Loans

For the Three Months Ended March 31, 2012

	Commercial Real Estate							
	Owner-occupied	Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Allowance for Loan Losses:								
Beginning balance	$ 3,670	$ 11,647	$ 20,803	$ 13,880	$ 19,151	$ 2,151	$ 2,572	$ 73,874
Charge-offs	97	900	412	1,867	1,075	383	0	4,734
Recoveries	13	9	265	351	5	96	0	739
Provision	248	(2)	(1,733)	2,118	2,557	268	677	4,133
Ending balance	$ 3,834	$ 10,754	$ 18,923	$ 14,482	$ 20,638	$ 2,132	$ 3,249	$ 74,012
Ending Balance: individually evaluated for impairment	$ 266	$ 631	$ 5,060	$ 2,685	$ 2,883	$ 0	$ 0	$ 11,525
Ending Balance: collectively evaluated for impairment	$ 3,568	$ 10,123	$ 13,863	$ 11,797	$ 17,755	$ 2,132	$ 3,249	$ 62,487
Ending Balance: loans acquired with deteriorated credit quality	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financing receivables:								
Ending balance	$ 740,373	$ 1,579,814	$ 1,180,690	$ 1,862,806	$ 569,223	$ 279,840	$ 0	$ 6,212,746
Ending Balance: individually evaluated for impairment	$ 2,299	$ 33,035	$ 24,643	$ 19,327	$ 18,826	$ 0	$ 0	$ 98,130
Ending Balance: collectively evaluated for impairment	$ 736,159	$ 1,537,231	$ 1,153,764	$ 1,839,524	$ 531,007	$ 279,796	$ 0	$ 6,077,481
Ending Balance: loans acquired with deteriorated credit quality	$ 1,915	$ 9,548	$ 2,283	$ 3,955	$ 19,390	$ 44	$ 0	$ 37,135

Table of Contents

Allowance for Loan Losses and Carrying Amount of Loans

For the Year Ended December 31, 2011

	Commercial Real Estate							
	Owner-occupied	Nonowner-occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
Allowance for Loan Losses:								
Beginning balance	$ 3,116	$ 12,456	$ 21,918	$ 11,653	$ 18,738	$ 2,161	$ 2,991	$ 73,033
Charge-offs	1,230	897	2,765	7,069	6,290	1,354	0	19,605
Recoveries	2	639	1,924	248	136	356	0	3,305
Provision	1,782	(551)	(274)					