

UNITED BANKSHARES INC/WV

Form 10-Q

August 08, 2012

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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 June 30, 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
(State or other jurisdiction of

incorporation or organization)

55-0641179
(I.R.S. Employer

Identification No.)

300 United Center

25301

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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** ☒ **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** ☒ **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 ☒ 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** ☒

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; **50,276,250** shares outstanding as of **July 31, 2012**.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The June 30, 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 and six months ended June 30, 2012 and 2011, the related consolidated statement of changes in shareholders' equity for the six months ended June 30, 2012, the related condensed consolidated statements of cash flows for the six months ended June 30, 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)**

	June 30 2012 (Unaudited)	December 31 2011 (Note 1)
Assets		
Cash and due from banks	\$ 158,227	\$ 128,627
Interest-bearing deposits with other banks	514,262	506,367
Federal funds sold	719	1,009
Total cash and cash equivalents	673,208	636,003
Securities available for sale at estimated fair value (amortized cost-\$664,042 at June 30, 2012 and \$752,085 at December 31, 2011)	607,144	696,518
Securities held to maturity (estimated fair value-\$51,494 at June 30, 2012 and \$56,181 at December 31, 2011)	53,274	59,289
Other investment securities	62,436	68,412
Loans held for sale	9,279	3,902
Loans	6,326,806	6,240,213
Less: Unearned income	(11,890)	(3,503)
Loans net of unearned income	6,314,916	6,236,710
Less: Allowance for loan losses	(73,413)	(73,874)
Net loans	6,241,503	6,162,836
Bank premises and equipment	74,298	76,442
Goodwill	371,650	371,693
Accrued interest receivable	26,862	26,461
Other assets	337,355	349,914
TOTAL ASSETS	\$ 8,457,009	\$ 8,451,470
Liabilities		
Deposits:		
Noninterest-bearing	\$ 1,743,292	\$ 1,619,162
Interest-bearing	5,117,149	5,199,848
Total deposits	6,860,441	6,819,010
Borrowings:		
Federal funds purchased	14,035	7,120
Securities sold under agreements to repurchase	251,042	247,646
Federal Home Loan Bank borrowings	86,613	141,809
Other long-term borrowings	203,614	203,557
Reserve for lending-related commitments	2,112	1,853
Accrued expenses and other liabilities	57,971	61,631
TOTAL LIABILITIES	7,475,828	7,482,626
Shareholders' Equity		
Preferred stock, \$1.00 par value; Authorized-50,000,000 shares, none issued	0	0
Common stock, \$2.50 par value; Authorized-100,000,000 shares; issued-50,867,630 at June 30, 2012 and December 31, 2011, including 591,761 and 654,682 shares in treasury at June 30, 2012 and December 31,	127,169	127,169

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2011, respectively		
Surplus	237,686	238,761
Retained earnings	702,927	692,043
Accumulated other comprehensive loss	(66,383)	(66,758)
Treasury stock, at cost	(20,218)	(22,371)
 TOTAL SHAREHOLDERS' EQUITY	 981,181	 968,844
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 \$ 8,457,009	 \$ 8,451,470

See notes to consolidated unaudited financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Interest income				
Interest and fees on loans	\$ 75,670	\$ 65,322	\$ 151,328	\$ 131,180
Interest on federal funds sold and other short-term investments	415	284	758	576
Interest and dividends on securities:				
Taxable	4,134	5,858	8,998	12,520
Tax-exempt	886	971	1,809	2,016
Total interest income	81,105	72,435	162,893	146,292
Interest expense				
Interest on deposits	8,315	9,740	16,932	20,251
Interest on short-term borrowings	66	26	125	53
Interest on long-term borrowings	3,669	4,048	7,815	8,004
Total interest expense	12,050	13,814	24,872	28,308
Net interest income	69,055	58,621	138,021	117,984
Provision for loan losses	3,436	4,800	7,569	9,236
Net interest income after provision for loan losses	65,619	53,821	130,452	108,748
Other income				
Fees from trust and brokerage services	4,013	3,437	7,997	6,747
Fees from deposit services	10,393	10,341	20,705	19,972
Bankcard fees and merchant discounts	738	683	1,385	1,238
Other service charges, commissions, and fees	600	381	1,177	835
Income from bank-owned life insurance	1,255	1,228	2,544	2,403
Income from mortgage banking	483	131	801	365
Other income	648	599	1,306	1,450
Total other-than-temporary impairment losses	(2,639)	(870)	(3,385)	(3,886)
Portion of loss recognized in other comprehensive income	897	(3,226)	266	(2,320)
Net other-than-temporary impairment losses	(1,742)	(4,096)	(3,119)	(6,206)
Net gains on sales/calls of investment securities	199	630	117	1,181
Net investment securities losses	(1,543)	(3,466)	(3,002)	(5,025)
Total other income	16,587	13,334	32,913	27,985
Other expense				
Employee compensation	17,965	15,015	35,872	29,885
Employee benefits	5,823	4,131	11,015	8,509
Net occupancy expense	5,321	4,140	10,363	8,527
Other real estate owned (OREO) expense	2,160	1,233	4,488	3,000
Equipment expense	2,413	1,459	4,349	3,111
Data processing expense	2,639	2,752	5,848	5,677

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Bankcard processing expense	318	182	617	475
FDIC insurance expense	1,495	2,327	3,050	4,664
Other expense	13,118	10,438	25,912	21,298
Total other expense	51,252	41,677	101,514	85,146
Income before income taxes	30,954	25,478	61,851	51,587
Income taxes	9,905	8,026	19,792	16,250
Net income	\$ 21,049	\$ 17,452	\$ 42,059	\$ 35,337

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited) - continued

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Earnings per common share:				
Basic	\$ 0.42	\$ 0.40	\$ 0.84	\$ 0.81
Diluted	\$ 0.42	\$ 0.40	\$ 0.84	\$ 0.81
Dividends per common share	\$ 0.31	\$ 0.30	\$ 0.62	\$ 0.60
Average outstanding shares:				
Basic	50,274,665	43,645,541	50,255,019	43,637,497
Diluted	50,308,228	43,676,407	50,299,982	43,686,203
See notes to consolidated unaudited financial statements				

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net income	\$ 21,049	\$ 17,452	\$ 42,059	\$ 35,337
Change in net unrealized (loss) gain on available-for-sale (AFS) securities, net of tax	(1,709)	(250)	(865)	634
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	1	1	2	2
Change in pension plan assets, net of tax	620	342	1,238	685
Comprehensive income, net of tax	\$ 19,961	\$ 17,545	\$ 42,434	\$ 36,658

Table of Contents**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)****UNITED BANKSHARES, INC. AND SUBSIDIARIES**

(Dollars in thousands, except per share data)

	Six Months Ended June 30, 2012				Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders Equity
	Common Stock			Retained Earnings			
	Shares	Par Value	Surplus	Retained Earnings			
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	42,059	0	0	42,059
Other comprehensive income, net of tax	0	0	0	0	375	0	375
Total comprehensive income, net of tax 42,434							
Stock based compensation expense	0	0	884	0	0	0	884
Distribution of treasury stock for deferred compensation plan (2,937 shares)							
	0	0	0	0	0	86	86
Purchase of treasury stock (226 shares)	0	0	0	0	0	(7)	(7)
Cash dividends (\$0.62 per share)	0	0	0	(31,175)	0	0	(31,175)
Grant of restricted stock (52,700 shares)	0	0	(1,816)	0	0	1,816	0
Common stock options exercised (7,510 shares)	0	0	(143)	0	0	258	115
Balance at June 30, 2012	50,867,630	\$ 127,169	\$ 237,686	\$ 702,927	(\$ 66,383)	(\$ 20,218)	\$ 981,181

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)

	Six Months Ended June 30	
	2012	2011
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 61,071	\$ 55,118
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	5,956	3,282
Proceeds from sales of securities available for sale	2,777	21,900
Proceeds from maturities and calls of securities available for sale	993,373	689,096
Purchases of securities available for sale	(912,367)	(670,176)
Purchases of bank premises and equipment	(3,219)	(3,510)
Proceeds from sales of bank premises and equipment	2,119	20
Proceeds from sales and redemptions of other investment securities	5,976	4,570
Net change in loans	(86,236)	(908)
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,379	44,274
FINANCING ACTIVITIES		
Cash dividends paid	(31,140)	(26,183)
Excess tax benefits from stock-based compensation arrangements	35	125
Acquisition of treasury stock	(7)	(9)
Proceeds from exercise of stock options	115	312
Repayment of long-term Federal Home Loan Bank borrowings	(55,196)	(50,183)
Distribution of treasury stock for deferred compensation plan	86	0
Changes in:		
Deposits	43,551	15,002
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	10,311	8,224
NET CASH USED IN FINANCING ACTIVITIES	(32,245)	(52,712)
Increase in cash and cash equivalents	37,205	46,680
Cash and cash equivalents at beginning of year	636,003	461,389
Cash and cash equivalents at end of period	\$ 673,208	\$ 508,069

See notes to consolidated unaudited financial statements.

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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 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 June 30, 2012 and 2011 and for the three-month and six-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. Because ASU 2011-12 revised the presentation of comprehensive income in the financial statements only, the adoption did not have an 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

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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.

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 approximately \$60 million and \$12 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 June 30, 2012, the premium on the interest-bearing deposits has an estimated remaining life of nine months while the discount on the junior subordinated debt securities has an estimated remaining life of four years. United assumed approximately \$621 thousand of liabilities to provide severance benefits to terminated employees of Centra. As of June 30, 2012, no balance remains on these liabilities. 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.

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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 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

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The following table provides a reconciliation of goodwill:

Goodwill at December 31, 2011	\$ 371,693
Reductions:	
Options exercised from previous acquisitions	(34)
Adjustment to goodwill from Centra acquisition	(9)
Goodwill at June 30, 2012	\$ 371,650

The following table discloses the impact of Centra since the acquisition on July 8, 2011 through the end of the second quarter of 2012. The table also presents certain unaudited pro forma information for the results of operations for the six months ended June 30, 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 June 30, 2012	Proforma Six Months Ended June 30, 2011
Total Revenues ⁽¹⁾	\$ 61,765	\$ 176,942
Net Income	25,437	32,206

⁽¹⁾ Represents net interest income plus other income

3. INVESTMENT SECURITIES

Securities 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 as follows.

	June 30, 2012			Estimated	Cumulative
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI ⁽¹⁾
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 283,858	\$ 630	\$ 1	\$ 284,487	\$ 0
State and political subdivisions	85,093	3,919	0	89,012	0
Residential mortgage-backed securities					
Agency	126,274	6,099	85	132,288	0
Non-agency	30,814	543	5,491	25,866	2,080
Asset-backed securities	13,904	0	43	13,861	0
Trust preferred collateralized debt obligations	99,641	0	59,412	40,229	47,588
Single issue trust preferred securities	15,264	354	3,458	12,160	0
Other corporate securities	4,995	187	0	5,182	0
Marketable equity securities	4,199	96	236	4,059	0

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Total	\$ 664,042	\$ 11,828	\$ 68,726	\$ 607,144	\$ 49,668
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	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 June 30, 2012 and December 31, 2011.

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
June 30, 2012				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 13,615	\$ 1	\$ 0	\$ 0
State and political subdivisions	0	0	0	0
Residential mortgage-backed securities				
Agency	8,440	38	6,289	47
Non-agency	0	0	10,805	5,491
Asset-backed securities	13,861	43	0	0
Trust preferred collateralized debt obligations	0	0	40,229	59,412
Single issue trust preferred securities	0	0	7,714	3,458
Marketable equity securities	578	101	1,069	135
Total	\$ 36,494	\$ 183	\$ 66,106	\$ 68,543

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	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
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 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 June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Proceeds from sales and calls	\$ 603,516	\$ 489,483	\$ 996,150	\$ 710,996
Gross realized gains	57	629	83	1,222
Gross realized losses	9	0	117	21

At June 30, 2012, gross unrealized losses on available for sale securities were \$68,726 on 68 securities of a total portfolio of 351 available for sale securities. Securities in an unrealized loss position at June 30, 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 debt securities issued by financial institutions. In determining whether or not a security is other-than-temporarily 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 54% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 46% 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

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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 estimated by management after full evaluation of the underlying collateral including recent performance statistics. At June 30, 2012, United determined that none of the non-agency residential mortgage-backed securities were other-than temporarily impaired.

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 second 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 BB+. The amortized cost of available for sale single issue trust preferred securities as of June 30, 2012 consisted of \$9.38 million in split-rated bonds and \$14.10 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 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 June 30, 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 second quarter of 2012 related to

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these securities was \$1.74 million. At June 30, 2012, the balance of the noncredit-related other-than-temporary impairment recognized on United's TRUP CDO portfolio was \$47.59 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 June 30, 2012 consisted of \$9.27 million in investment grade bonds, \$5.00 million in split-rated bonds and \$85.37 million in below investment grade bonds.

The following is a summary of the available for sale TRUP CDOs in an unrealized loss position twelve months or greater as of June 30, 2012:

		Amortized Cost					
Class		Amortized Cost	Fair Value	Unrealized Loss	Investment Grade	Split Rated	Below Investment Grade
Senior	Bank	\$ 9,872	\$ 4,940	\$ 4,932	\$ 0	\$ 5,000	\$ 4,872
Senior	Insurance	9,267	6,957	2,310	9,267	0	0
Mezzanine	Bank (now in senior position)	13,026	6,179	6,847	0	0	13,026
Mezzanine	Bank	55,625	17,819	37,806	0	0	55,625
Mezzanine	Insurance	6,500	3,090	3,410	0	0	6,500
Mezzanine	Bank & Insurance (combination)	5,351	1,244	4,107	0	0	5,351
Totals		\$ 99,641	\$ 40,229	\$ 59,412	\$ 9,267	\$ 5,000	\$ 85,374

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 AA+. The ratings of the split-rated pooled trust preferred securities range from a low of CCC to a high of A2, while the below investment grade pooled trust preferred securities range from a low of D to a high of Ba1. The available for sale single issue trust preferred securities' ratings range from a low of CC to a high of BB+.

The Company has recognized cumulative credit-related other-than-temporary impairment of \$32.91 million on sixteen pooled trust preferred securities since the third quarter of 2009. Of the remaining seven securities that have not been deemed to be other-than-temporarily impaired, the collateralization ratios range from a low of 82.8% to a high of 323.8%, with a median of 119.3%, and a weighted average of 171.7%. 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. It is possible for the collateralization of a security that is not other-than-temporarily impaired to be less than 100% due to the excess spread built into the securitization structure.

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The following schedule reflects data and certain assumptions that are utilized in the other-than-temporary impairment analysis of the TRUP CDOs at June 30, 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	\$ 9,872	80.5 - 85.6%	12.9 - 13.3%	6.3 - 13.8%	0.5 - 1.0%	5.7 - 6.2%	\$ 967
Senior Insurance	9,267	82.8 - 94.9%	0.0 - 0.0%	3.5 - 9.3%	1.0 - 1.0%	6.3 - 6.3%	0
Mezzanine Bank (now in senior position)	13,026	80.3 - 80.6%	3.6 - 9.1%	1.9 - 2.7%	0.5 - 1.0%	7.5 - 8.7%	5,790
Mezzanine Bank	55,625	57.5 - 88.1%	7.5 - 20.6%	6.2 - 30.5%	0.3 - 1.0%	6.7 - 10.3%	23,408
Mezzanine Insurance	6,500	82.8 - 87.3%	0.0 - 0.0%	8.1 - 9.3%	0.0 - 1.0%	6.3 - 7.4%	0
Mezzanine Bank & Ins.	5,351	61.0 - 76.2%	13.4 - 18.8%	16.7 - 31.7%	0.3 - 0.8%	6.6 - 7.6%	2,744

- (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 57.5% to 88.1%. The weighted average percentage of performing collateral is 74.9%.
- (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 June 30, 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 June 30, 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 June 30, 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 second quarter of 2012, United also evaluated all of its cost method investments to determine if certain events or changes in circumstances during the second 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.

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Below is a progression of the credit losses on securities which United has recorded other-than-temporary charges 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	85
Additions for additional credit losses on securities for which OTTI was previously recognized	3,034
Balance of cumulative credit losses at June 30, 2012	\$ 58,857

The amortized cost and estimated fair value of securities available for sale at June 30, 2012 and December 31, 2011 by contractual maturity are shown as follows. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations without penalties.

	June 30, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 140,929	\$ 141,061	\$ 259,162	\$ 259,267
Due after one year through five years	211,167	214,286	128,279	130,898
Due after five years through ten years	92,215	96,647	91,031	96,345
Due after ten years	215,532	151,091	269,272	206,049
Marketable equity securities	4,199	4,059	4,341	3,959
Total	\$ 664,042	\$ 607,144	\$ 752,085	\$ 696,518

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

	June 30, 2012			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 10,991	\$ 2,697	\$ 0	\$ 13,688
State and political subdivisions	11,998	178	0	12,176
Residential mortgage-backed securities				
Agency	68	11	0	79
Non-agency	0	0	0	0
Single issue trust preferred securities	26,992	0	4,666	22,326
Other corporate securities	3,225	0	0	3,225
Total	\$ 53,274	\$ 2,886	\$ 4,666	\$ 51,494

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		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 June 30, 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.

The following table shows the gross realized gains and losses on calls that have been included in earnings as a result of those calls. Gains or losses on calls of held-to-maturity securities are recognized by the specific identification method.

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Gross realized gains	151	1	151	1
Gross realized losses	0	0	0	0

The amortized cost and estimated fair value of debt securities held to maturity at June 30, 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.

	June 30, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 730	\$ 737	\$ 1,011	\$ 1,019
Due after one year through five years	9,000	9,994	8,548	9,684
Due after five years through ten years	9,330	11,095	10,370	12,115
Due after ten years	34,214	29,668	39,360	33,363
Total	\$ 53,274	\$ 51,494	\$ 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 \$554,246 and \$634,944 at June 30, 2012 and December 31, 2011, respectively.

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Major classifications of loans are as follows:

	June 30, 2012	December 31, 2011
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	\$ 724,624	\$ 743,502
Nonowner-occupied commercial real estate	1,679,749	1,553,259
Other commercial loans	1,190,765	1,212,205
Total commercial, financial & agricultural	3,595,138	3,508,966
Residential real estate	1,865,800	1,897,658
Construction & land development	572,936	549,877
Consumer:		
Bankcard	10,764	11,519
Other consumer	282,168	272,193
Total gross loans	\$ 6,326,806	\$ 6,240,213

The table above does not include loans held for sale of \$9,279 and \$3,902 at June 30, 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 \$35,995 and \$38,954 or less than 1% of total gross loans, at June 30, 2012 and December 31, 2011, respectively. The contractual principal in these acquired impaired loans was \$57,796 and \$65,051 at June 30, 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 six months of 2012 follows.

Accretable yield at the beginning of the period	\$ 2,323
Additions	0
Accretion (including cash recoveries)	(1,582)
Net reclassifications to accretable from non-accretable	2,649
Maturities, foreclosures and charge-offs	(266)
Accretable yield at the ending of the period	\$ 3,124

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 \$210,045 and \$189,763 at June 30, 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.

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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

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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 and there is 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 June 30, 2012, United had TDRs of \$4,255 as compared to \$3,592 as of December 31, 2011. Of the \$4,255 aggregate balance of TDRs at June 30, 2012, \$1,427 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 June 30, 2012, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At June 30, 2012, United had restructured loans in the amount of \$2,172 that were modified by a reduction in the interest rate, \$1,427 that were modified by a combination of a reduction in the interest rate and the principal and \$656 that was modified by a change in terms.

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.

The following table sets forth United's troubled debt restructurings that have been restructured during the three months ended June 30, 2012, segregated by class of loans:

Troubled Debt Restructurings**For the Three Months Ended June 30, 2012**

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	0	\$ 0	\$ 0
Nonowner-occupied	0	0	0
Other commercial	0	0	0
Residential real estate	1	640	656
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	1	\$ 640	\$ 656

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The following table sets forth United's troubled debt restructurings that have been restructured during the six months ended June 30, 2012, segregated by class of loans:

Troubled Debt Restructurings

For the Six Months Ended June 30, 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	1	640	656
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	2	\$ 1,371	\$ 1,431

The restructured loan during the second quarter of 2012 in the amount of \$656 was modified by a change in terms. In addition to this loan, the remaining \$775 of restructured loans for the first six months of 2012 was modified by a combination of a reduction in the interest rate and change in terms. In some instances, the post-modification balance on a restructured loan is larger than the pre-modification balance due to the advancement of monies for items such as delinquent taxes on real estate property. 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 second quarter or first six months 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 June 30, 2012

(In thousands)	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Loans	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	\$ 6,808	\$ 3,137	\$ 9,945	\$ 714,679	\$ 724,624	\$ 26
Nonowner-occupied	17,807	11,642	29,449	1,650,300	1,679,749	487
Other commercial	10,320	18,311	28,631	1,162,134	1,190,765	1,589
Residential real estate	53,205	20,025	73,230	1,792,570	1,865,800	5,769
Construction & land development	7,505	20,779	28,284	544,652	572,936	1,450
Consumer:						
Bankcard	419	188	607	10,157	10,764	188
Other consumer	6,640	653	7,293	274,875	282,168	520
Total	\$ 102,704	\$ 74,735	\$ 177,439	\$ 6,149,367	\$ 6,326,806	\$ 10,029

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	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

	June 30, 2012	December 31, 2011
Commercial real estate:		
Owner-occupied	\$ 3,111	\$ 3,110
Nonowner-occupied	11,155	11,052
Other commercial	16,722	13,392
Residential real estate	14,256	17,784
Construction & land development	19,329	15,980
Consumer:		
Bankcard	0	0
Other consumer	133	102
Total	\$ 64,706	\$ 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.

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

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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. For loans with a consumer credit exposure, 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 a loan 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 June 30, 2012**

	Commercial Owner- occupied	Real Estate Nonowner- occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	\$ 673,856	\$ 1,541,241	\$ 1,078,383	\$ 480,744
Special mention	13,745	57,478	58,117	30,477
Substandard	37,023	81,030	51,274	61,715
Doubtful	0	0	2,991	0
Total	\$ 724,624	\$ 1,679,749	\$ 1,190,765	\$ 572,936

As of December 31, 2011

	Commercial Owner- occupied	Real Estate Nonowner- occupied	Other Commercial	Construction & 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 June 30, 2012**

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	\$ 1,821,804	\$ 10,157	\$ 274,868
Special mention	10,438	419	6,641
Substandard	33,558	188	659
Doubtful	0	0	0
Total	\$ 1,865,800	\$ 10,764	\$ 282,168

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					
	June 30, 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	\$ 13,661	\$ 13,793	\$ 0	\$ 3,540	\$ 4,934	\$ 0
Nonowner-occupied	10,989	14,659	0	30,382	32,573	0
Other commercial	6,435	7,278	0	7,831	9,405	0
Residential real estate	11,197	12,416	0	18,750	20,613	0
Construction & land development	9,319	11,307	0	23,654	33,172	0
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	120	144	0

With an allowance recorded:

Commercial real estate:

Owner-occupied	\$ 870	\$ 870	\$ 250	\$ 1,638	\$ 1,638	\$ 269
Nonowner-occupied	3,699	5,025	1,149	2,086	2,413	596
Other commercial	25,624	28,627	5,291	20,453	22,630	5,888

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	Impaired Loans					
	June 30, 2012			December 31, 2011		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Residential real estate	9,148	11,737	2,127	8,868	10,867	1,925
Construction & land development	14,264	21,856	2,983	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	\$ 14,531	\$ 14,663	\$ 250	\$ 5,178	\$ 6,572	\$ 269
Nonowner-occupied	14,688	19,684	1,149	32,468	34,986	596
Other commercial	32,059	35,905	5,291	28,284	32,035	5,888
Residential real estate	20,345	2,153	2,127	27,618	31,480	1,925
Construction & land development	23,583	33,163	2,983	34,368	45,382	2,480
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	120	144	0

	Impaired Loans			
	For the Three Months Ended			
	June 30, 2012		June 30, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate:				
Owner-occupied	\$ 7,910	\$ 385	\$ 9,477	\$ 12
Nonowner-occupied	30,484	62	4,617	188
Other commercial	5,678	44	5,350	0
Residential real estate	12,398	45	7,895	44
Construction & land development	9,719	161	13,395	11
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
With an allowance recorded:				
Commercial real estate:				
Owner-occupied	\$ 1,113	\$ 20	\$ 500	\$ 0
Nonowner-occupied	2,890	47	3,421	42
Other commercial	23,007	1,176	4,329	19
Residential real estate	9,043	323	13,422	55
Construction & land development	12,795	94	5,501	16
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total:				
Commercial real estate:				
Owner-occupied	\$ 9,023	\$ 405	\$ 9,977	\$ 12
Nonowner-occupied	33,374	109	8,038	230
Other commercial	28,685	1,220	9,679	19
Residential real estate	21,441	368	21,317	99
Construction & land development	22,514	255	18,896	27
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0

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	Impaired Loans For the Six Months Ended			
	June 30, 2012		June 30, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate:				
Owner-occupied	\$ 6,178	\$ 406	\$ 11,615	\$ 41
Nonowner-occupied	29,713	282	4,903	237
Other commercial	5,664	106	6,341	98
Residential real estate	12,720	212	8,363	120
Construction & land development	10,243	238	16,895	151
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
With an allowance recorded:				
Commercial real estate:				
Owner-occupied	\$ 1,437	\$ 34	\$ 333	\$ 0
Nonowner-occupied	3,638	70	3,365	64
Other commercial	22,667	1,361	4,219	61
Residential real estate	8,689	412	12,033	143
Construction & land development	12,029	179	6,699	73
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total:				
Commercial real estate:				
Owner-occupied	\$ 7,615	\$ 440	\$ 11,948	\$ 41
Nonowner-occupied	33,351	352	8,268	301
Other commercial	28,331	1,467	10,560	159
Residential real estate	21,409	624	20,396	263
Construction & land development	22,272	417	23,594	224
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	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 loan 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 loan losses analysis.

For purposes of determining the general allowance, the loan portfolio is segregated by loan product type to recognize

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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 six months 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 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 \$2,112 and \$1,853 at June 30, 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.

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A progression of the allowance for loan losses, by portfolio segment, for the periods indicated is summarized as follows:

Allowance for Loan Losses

For the Three Months Ended June 30, 2012

	Commercial Real Estate			Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
	Owner-occupied	Nonowner-occupied	Other Commercial					
Allowance for Loan Losses:								
Beginning balance	\$ 3,834	\$ 10,754	\$ 18,923	\$ 14,482	\$ 20,638	\$ 2,132	\$ 3,249	\$ 74,012
Charge-offs	17	1,579	132	2,976	58	426	0	5,188
Recoveries	0	43	913	82	11	104	0	1,153
Provision	(743)	3,110	(2,291)	2,251	2,621	439	(1,951)	3,436
Ending balance	\$ 3,074	\$ 12,328	\$ 17,413	\$ 13,839	\$ 23,212	\$ 2,249	\$ 1,298	\$ 73,413

Allowance for Loan Losses and Carrying Amount of Loans

For the Six Months Ended June 30, 2012

	Commercial Real Estate			Residential Real Estate	Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
	Owner-occupied	Nonowner-occupied	Other Commercial					
Allowance for Loan Losses:								
Beginning balance	\$ 3,670	\$ 11,647	\$ 20,803	\$ 13,880	\$ 19,151	\$ 2,151	\$ 2,572	\$ 73,874
Charge-offs	114	2,479	544	4,843	1,133	809	0	9,922
Recoveries	13	52	1,178	433	16	200	0	1,892
Provision	(495)	3,108	(4,024)	4,369	5,178	707	(1,274)	7,569
Ending balance	\$ 3,074	\$ 12,328	\$ 17,413	\$ 13,839	\$ 23,212	\$ 2,249	\$ 1,298	\$ 73,413
Ending Balance: individually evaluated for impairment	\$ 250	\$ 1,149	\$ 5,291	\$ 2,127	\$ 2,983	\$ 0	\$ 0	\$ 11,800
Ending Balance: collectively evaluated for impairment	\$ 2,824	\$ 11,179	\$ 12,122	\$ 11,712	\$ 20,229	\$ 2,249	\$ 1,298	\$ 61,613
Ending Balance: loans acquired with deteriorated credit quality	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Financing receivables:								
Ending balance	\$ 724,624	\$ 1,679,749	\$ 1,190,765	\$ 1,865,800	\$ 572,936	\$ 292,932	\$ 0	\$ 6,326,806
Ending Balance: individually evaluated for impairment	\$ 2,631	\$ 30,069	\$ 29,372	\$ 16,999	\$ 22,256	\$ 0	\$ 0	\$ 101,327

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Allowance for Loan Losses and Carrying Amount of Loans

For the Six Months Ended June 30, 2012

	Commercial Real Estate						Allowance for Estimated Imprecision	Total
	Owner- occupied	Nonowner- occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer		
Ending Balance: collectively evaluated for impairment	\$ 720,200	\$ 1,640,017	\$ 1,159,670	\$ 1,844,829	\$ 531,880	\$ 292,887	\$ 0	\$ 6,189,483
Ending Balance: loans acquired with deteriorated credit quality	\$ 1,793	\$ 9,663	\$ 1,723	\$ 3,972	\$ 18,800	\$ 45	\$ 0	\$ 35,996
Allowance for Loan Losses and Carrying Amount of Loans								

For the Year Ended December 31, 2011

	Commercial Real Estate						Allowance for Estimated Imprecision	Total
	Owner- occupied	Nonowner- occupied	Other Commercial	Residential Real Estate	Construction & Land Development	Consumer		
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)	9,048	6,567	988	(419)	17,141
Ending balance	\$ 3,670	\$ 11,647	\$ 20,803	\$ 13,880	\$ 19,151	\$ 2,151	\$ 2,572	\$ 73,874
Ending Balance: individually evaluated for impairment	\$ 269	\$ 596	\$ 5,888	\$ 1,925	\$ 2,480	\$ 0	\$ 0	\$ 11,158
Ending Balance: collectively evaluated for impairment	\$ 3,401	\$ 11,051	\$ 14,915	\$ 11,955	\$ 16,671	\$ 2,151	\$ 2,572	\$ 62,716
Ending Balance: loans acquired with deteriorated credit quality	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Financing receivables:								
Ending balance	\$ 743,502	\$ 1,553,259	\$ 1,212,205	\$ 1,897,658	\$ 549,877	\$ 283,712	\$ 0	\$ 6,240,213
Ending Balance: individually evaluated for impairment	\$ 2,321	\$ 29,794	\$ 25,532	\$ 18,288	\$ 20,835	\$ 0	\$ 0	\$ 96,770
Ending Balance: collectively evaluated for impairment	\$ 738,596	\$ 1,514,173	\$ 1,184,565	\$ 1,877,287	\$ 508,921	\$ 280,947	\$ 0	\$ 6,104,489

Table of Contents**Allowance for Loan Losses and Carrying Amount of Loans****For the Year Ended December 31, 2011**

	Commercial Real Estate				Construction & Land Development	Consumer	Allowance for Estimated Imprecision	Total
	Owner- occupied	Nonowner- occupied	Other Commercial	Residential Real Estate				
Ending Balance: loans acquired with deteriorated credit quality	\$ 2,585	\$ 9,292	\$ 2,108	\$ 2,083	\$ 20,121	\$ 2,765	\$ 0	\$ 38,954

7. INTANGIBLE ASSETS

The following is a summary of intangible assets subject to amortization and those not subject to amortization:

	Gross Carrying Amount	As of June 30, 2012 Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	\$ 43,434	(\$ 31,962)	\$ 11,472
Goodwill not subject to amortization			\$ 371,650

	Gross Carrying Amount	As of December 31, 2011 Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	\$ 43,434	(\$ 30,484)	\$ 12,950
Goodwill not subject to amortization			\$ 371,693

During the year of 2011, United acquired Centra adding preliminary amounts of \$60,099 to goodwill and \$12,439 to core deposit intangible assets. United incurred amortization expense of \$724 and \$1,486 for the quarter and six months ended June 30, 2012, respectively, and \$354 and \$737 for the quarter and six months ended June 30, 2011, respectively, related to intangible assets. The table presented below sets forth the anticipated amortization expense for intangible assets for each of the next five years:

Year	Amount
2012	\$ 2,843
2013	1,969
2014	1,478
2015	1,149
2016 and thereafter	5,511

8. SHORT-TERM BORROWINGS

Federal funds purchased and securities sold under agreements to repurchase are a significant source of funds for the Company. United has various unused lines of credit available from certain of its correspondent banks in the aggregate amount of \$234,000. These lines of credit, which bear interest at prevailing market rates, permit United to borrow funds in the overnight market, and are renewable annually subject to certain conditions. At June 30, 2012, federal funds purchased were \$14,035 while securities sold under agreements to repurchase were \$251,042. The securities sold under agreements to repurchase were accounted for as collateralized borrowings. They were recorded at the amounts at

which the securities were acquired or sold plus accrued interest.

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United has a \$10,000 line of credit with an unrelated financial institution to provide for general liquidity needs. The line is an unsecured, revolving line of credit. The line will be renewable on a 360 day basis and will carry an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At June 30, 2012, United had no outstanding balance under this line of credit.

Effective December 31, 2011, United Bank (VA) no longer participates in the Treasury Investment Program, which is essentially the U.S. Treasury's savings account for companies depositing employment and other tax payments. All amounts due to the U.S. Treasury were paid by year-end 2011.

9. LONG-TERM BORROWINGS

United's subsidiary banks are members of the Federal Home Loan Bank (FHLB). Membership in the FHLB makes available short-term and long-term borrowings from collateralized advances. All FHLB borrowings are collateralized by a mix of single-family residential mortgage loans, commercial loans and investment securities. At June 30, 2012, United had an unused borrowing amount of approximately \$1,674,452 available subject to delivery of collateral after certain trigger points. Advances may be called by the FHLB or redeemed by United based on predefined factors and penalties.

At June 30, 2012, United had \$86,613 of FHLB advances with a weighted-average interest rate of 4.40% scheduled to mature within the next seven years.

The scheduled maturities of these FHLB borrowings are as follows:

Year	Amount
2012	\$ 0
2013	29,138
2014	26,585
2015	4,708
2016 and thereafter	26,182
Total	\$ 86,613

At June 30, 2012, United has a total of twelve statutory business trusts that were formed for the purpose of issuing or participating in pools of trust preferred capital securities (Capital Securities) with the proceeds invested in junior subordinated debt securities (Debentures) of United. The Debentures, which are subordinate and junior in right of payment to all present and future senior indebtedness and certain other financial obligations of United, are the sole assets of the trusts and United's payment under the Debentures is the sole source of revenue for the trusts. At June 30, 2012 and December 31, 2011, the outstanding balances of the Debentures were \$203,614 and \$203,557, respectively, and were included in the category of long-term debt on the Consolidated Balance Sheets entitled "Other long-term borrowings". The Capital Securities are not included as a component of shareholders' equity in the Consolidated Balance Sheets. United fully and unconditionally guarantees each individual trust's obligations under the Capital Securities.

As part of the acquisition of Centra on July 8, 2011, United assumed all the obligations of Centra and its subsidiaries. Centra had two statutory business trusts that were formed for the purpose of issuing or participating in Capital Securities with the proceeds invested in Debentures of Centra. At merger, the outstanding balance of Centra's Debentures was \$20 million.

Under the provisions of the subordinated debt, United has the right to defer payment of interest on the subordinated debt at any time, or from time to time, for periods not exceeding five years. If interest payments on the subordinated debt are deferred, the dividends on the Capital Securities are also deferred. Interest on the subordinated debt is

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cumulative. United has not deferred any payment as of June 30, 2012.

The Trust Preferred Securities currently qualify as Tier I capital to United for regulatory purposes.

10. COMMITMENTS AND CONTINGENT LIABILITIES

United is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to alter its own exposure to fluctuations in interest rates. These financial instruments include loan commitments, standby letters of credit, and commercial letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

United's maximum exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for the loan commitments and standby letters of credit is the contractual or notional amount of those instruments. United uses the same policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Collateral may be obtained, if deemed necessary, based on management's credit evaluation of the counterparty.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily, and historically do not, represent future cash requirements. The amount of collateral obtained, if deemed necessary upon the extension of credit, is based on management's credit evaluation of the counterparty. United had approximately \$1,817,926 and \$1,667,859 of loan commitments outstanding as of June 30, 2012 and December 31, 2011, respectively, the majority of which expire within one year.

Commercial and standby letters of credit are agreements used by United's customers as a means of improving their credit standing in their dealings with others. Under these agreements, United guarantees certain financial commitments of its customers. A commercial letter of credit is issued specifically to facilitate trade or commerce. Typically, under the terms of a commercial letter of credit, a commitment is drawn upon when the underlying transaction is consummated as intended between the customer and a third party. United has issued commercial letters of credit of \$250 and \$290 as of June 30, 2012 and December 31, 2011, respectively. A standby letter of credit is generally contingent upon the failure of a customer to perform according to the terms of an underlying contract with a third party. United has issued standby letters of credit of \$100,742 and \$130,034 as of June 30, 2012 and December 31, 2011, respectively. In accordance with the Contingencies Topic of the FASB Accounting Standards Codification, United has determined that substantially all of its letters of credit are renewed on an annual basis. The fees associated with these letters of credit are immaterial.

In April of 2011, United Bankshares, Inc. and United Bank, Inc. of West Virginia were named as defendants in two putative class actions. In the first putative class action, the plaintiffs seek to represent a national class of United Bank, Inc. of West Virginia customers allegedly harmed by United Bank's overdraft practices relating to debit card transactions. In the second putative class action, the plaintiff seeks to represent a class of West Virginia residents allegedly harmed by United Bank's overdraft practices relating to debit card transactions.

These lawsuits are substantially similar to class action lawsuits being filed against financial institutions nationwide. With respect to the first putative class action, in July of 2012, the federal court denied a motion to dismiss filed by United Bankshares, Inc. and United Bank, Inc. of West Virginia. With respect to the second putative class action, in September of 2011, the West Virginia state court ruled on a motion to dismiss filed by United Bankshares, Inc. and United Bank, Inc. of West Virginia. Although the West Virginia state court denied the motion as to United Bank, Inc.

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of West Virginia, the motion was granted, without prejudice, as to United Bankshares, Inc. In July of 2012, the state court certified a question to the West Virginia Supreme Court of Appeals concerning whether the West Virginia Consumer Credit Protection Act applies to United Bank's overdraft practices.

Otherwise, at this stage of the proceedings, it is too early to determine if these matters would be reasonably expected to have a material adverse effect on United's financial condition. An estimate as to possible loss cannot be provided at this time because such estimate cannot be made with certainty. United believes there are meritorious defenses to the claims asserted in both proceedings.

In addition, United and its subsidiaries are currently involved in various legal proceedings in the normal course of business. Management is vigorously pursuing all its legal and factual defenses and, after consultation with legal counsel, believes that all such litigation will be resolved with no material effect on United's financial position.

11. DERIVATIVE FINANCIAL INSTRUMENTS

United uses derivative instruments to help manage adverse prices or interest rate movements on the value of certain assets or liabilities and on future cash flows. These derivatives may consist of interest rate swaps, caps, floors, collars, futures, forward contracts, written and purchased options. United also executes derivative instruments with its commercial banking customers to facilitate its risk management strategies.

United accounts for its derivative financial instruments in accordance with the Derivatives and Hedging topic of the FASB Accounting Standards Codification. The Derivatives and Hedging topic requires all derivative instruments to be carried at fair value on the balance sheet. United has designated certain derivative instruments used to manage interest rate risk as hedge relationships with certain assets, liabilities or cash flows being hedged. Certain derivatives used for interest rate risk management are not designated in a hedge relationship.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. As of June 30, 2012, United has only fair value hedges.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders' equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings.

At inception of a hedge relationship, United formally documents the hedged item, the particular risk management objective, the nature of the risk being hedged, the derivative being used, how effectiveness of the hedge will be assessed and how the ineffectiveness of the hedge will be measured. United also assesses hedge effectiveness at inception and on an ongoing basis using regression analysis. Hedge ineffectiveness is measured by using the change in fair value method. The change in fair value method compares the change in the fair value of the hedging derivative to the change in the fair value of the hedged exposure, attributable to changes in the benchmark rate. The portion of a hedge that is ineffective is recognized immediately in earnings. Prior to January 1, 2006, United used the shortcut method for interest rate swaps that met the criteria as defined under the Derivatives and Hedging topic. Effective January 1, 2006, United adopted an internal policy of accounting for all new derivative instruments entered thereafter.

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whereby the shortcut method would no longer be used.

The derivative portfolio also includes derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. For derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in fair value. Gains and losses on other derivative financial instruments are included in noninterest income and noninterest expense, respectively.

The following table sets forth certain information regarding the interest rate derivatives portfolio used for interest-rate risk management purposes and designated as accounting hedges under the Derivatives and Hedging topic at June 30, 2012.

Derivative Classifications and Hedging Relationships**June 30, 2012**

	Notional Amount	Average Pay Rate
Fair Value Hedges:		
Pay Fixed Swaps (Hedging Commercial Loans)	\$ 53,311	5.14%
Total Derivatives Used in Fair Value Hedges	\$ 53,311	
Total Derivatives Used for Interest Rate Risk Management and Designated as Hedges	\$ 53,311	

The following tables summarize the fair value of United's derivative financial instruments.

	Asset Derivatives			
	June 30, 2012		December 31, 2011	
	Balance		Balance	
	Sheet Location	Fair Value	Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	\$ 3,186	Other assets	\$ 3,817
Total derivatives not designated as hedging instruments		\$ 3,186		\$ 3,817
Total asset derivatives		\$ 3,186		\$ 3,817

	Liability Derivatives			
	June 30, 2012		December 31, 2011	
	Balance		Balance	
	Sheet Location	Fair Value	Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	\$ 2,458	Other liabilities	\$ 1,233
Total derivatives designated as hedging instruments		\$ 2,458		\$ 1,233

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Derivatives not designated as hedging instruments

Interest rate contracts	Other liabilities	\$ 3,186	Other liabilities	\$ 3,817
Total derivatives not designated as hedging instruments		\$ 3,186		\$ 3,817
Total liability derivatives		\$ 5,644		\$ 5,050

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Derivative contracts involve the risk of dealing with both bank customers and institutional derivative counterparties and their ability to meet contractual terms. Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. United's exposure is limited to the replacement value of the contracts rather than the notional amount of the contract. The Company's agreements generally contain provisions that limit the unsecured exposure up to an agreed upon threshold. Additionally, the Company attempts to minimize credit risk through certain approval processes established by management.

The effect of United's derivative financial instruments on its unaudited Consolidated Statements of Income for the three and six months ended June 30, 2012 and 2011 are presented as follows:

		Three Months Ended	
	Income Statement Location	June 30, 2012	June 30, 2011
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	\$ (75)	\$ 21
Total derivatives in fair value hedging relationships		\$ (75)	\$ 21
Derivatives not designated as hedging instruments			
Interest rate contracts ⁽¹⁾	Other income	\$ 315	\$ 289
Interest rate contracts ⁽²⁾	Other expense	\$ (315)	\$ (289)
Total derivatives not designated as hedging instruments		\$ 0	\$ 0
Total derivatives		\$ (75)	\$ 21
		Six Months Ended	
	Income Statement Location	June 30, 2012	June 30, 2011
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/(expense)	\$ (54)	\$ 41
Total derivatives in fair value hedging relationships		\$ (54)	\$ 41
Derivatives not designated as hedging instruments			
Interest rate contracts ⁽¹⁾	Other income	\$ 631	\$ 806
Interest rate contracts ⁽²⁾	Other expense	\$ (631)	\$ (806)
Total derivatives not designated as hedging instruments		\$ 0	\$ 0
Total derivatives		\$ (54)	\$ 41

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- (1) Represents net gains from derivative assets not designated as hedging instruments.
- (2) Represents net losses from derivative liabilities not designated as hedging instruments.

12. FAIR VALUE MEASUREMENTS

United determines the fair values of its financial instruments based on the fair value hierarchy established by ASC topic 820, which also clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Fair Value Measurements and Disclosures topic specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect United's market assumptions.

The three levels of the fair value hierarchy, based on these two types of inputs, are as follows:

- Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
- Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

When determining the fair value measurements for assets and liabilities, United looks to active and observable markets to price identical assets or liabilities whenever possible and classifies such items in Level 1. When identical assets and liabilities are not traded in active markets, United looks to market observable data for similar assets and liabilities and classifies such items as Level 2. Nevertheless, certain assets and liabilities are not actively traded in observable markets and United must use alternative valuation techniques using unobservable inputs to determine a fair value and classifies such items as Level 3. For assets and liabilities that are not actively traded, the fair value measurement is based primarily upon estimates that require significant judgment. Therefore, the results may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there are inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The level within the fair value hierarchy is based on the lowest level of input that is significant in the fair value measurement.

In accordance with ASC topic 820, the following describes the valuation techniques used by United to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market

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approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2). Management internally reviews the fair values provided by third party vendors on a monthly basis. Management's review consists of comparing fair values assigned by third party vendors to trades and offerings observed by management. The review requires some degree of judgment as to the number or percentage of securities to review on the part of management which could fluctuate based on results of past reviews and in comparison to current expectations. Exceptions that are deemed to be material are reviewed by management. Additionally, to assess the reliability of the information received from third party vendors, management obtains documentation from third party vendors related to the sources, methodologies, and inputs utilized in valuing securities classified as Level 2. Management analyzes this information to ensure the underlying assumptions appear reasonable. Management also obtains an independent service auditor's report from third party vendors to provide reasonable assurance that appropriate controls are in place over the valuation process. Upon completing its review of the pricing from third party vendors at June 30, 2012, management determined that the prices provided by its third party pricing source were reasonable and in line with management's expectations for the market values of these securities. Therefore, prices obtained from third party vendors that did not reflect forced liquidation or distressed sales were not adjusted by management at June 30, 2012. Management utilizes a number of factors to determine if a market is inactive, all of which may require a significant level of judgment. Factors that management considers include: a significant widening of the bid-ask spread, a considerable decline in the volume and level of trading activity in the instrument, a significant variance in prices among market participants, and a significant reduction in the level of observable inputs. Any securities available for sale not valued based upon quoted market prices or third party pricing models that consider observable market data are considered Level 3. Currently, United considers its valuation of available-for-sale TRUP CDOs as Level 3. The Fair Value Measurements and Disclosures topic assumes that fair values of financial assets are determined in an orderly transaction and not a forced liquidation or distressed sale at the measurement date. Based on financial market conditions, United feels that the fair values obtained from its third party vendor reflect forced liquidation or distressed sales for these TRUP CDOs due to decreased volume and trading activity. Additionally, management held discussions with institutional traders to identify trends in the number and type of transactions related to the TRUP CDOs sector. Based upon management's review of the market conditions for TRUP CDOs, it was determined that an income approach valuation technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs is more representative of fair value than the valuation technique used by United's third party vendor. The present value technique discounts expected future cash flows of a security to arrive at a present value. Management considers the following items when calculating the appropriate discount rate: the implied rate of return when the market was last active, changes in the implied rate of return as markets moved from very active to inactive, recent changes in credit ratings, and recent activity showing that the market has built in increased liquidity and credit premiums. Management's internal credit review of each security was also factored in to determine the appropriate discount rate. The credit review considered each security's collateral, subordination, excess spread, priority of claims, principal and interest. Discount margins used in the valuation at June 30, 2012 ranged from LIBOR plus 6.00% to LIBOR plus 30.00%. Management completed a sensitivity analysis on the fair value of its TRUP CDOs. Given a comprehensive 200 basis point increase in the discount rates, the total fair value of these securities would decline by approximately 13%.

Derivatives: United utilizes interest rate swaps to hedge exposure to interest rate risk and variability of cash flows associated to changes in the underlying interest rate of the hedged item. These hedging interest rate swaps are classified as either a fair value hedge or a cash flow hedge. United's derivative portfolio also includes derivative financial instruments not included in hedge relationships. These derivatives consist of interest rate swaps used for interest rate management purposes and derivatives executed with commercial banking customers to facilitate their interest rate management strategies. United utilizes third-party vendors for derivative valuation purposes. These vendors determine the appropriate fair value based on a net present value calculation of the cash flows related to the interest rate swaps using primarily observable market inputs such as interest rate yield curves (Level 2). Valuation adjustments to derivative fair values for liquidity and credit risk are also taken into consideration, as well as the

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likelihood of default by United and derivative counterparties, the net counterparty exposure and the remaining maturities of the positions. Values obtained from third party vendors are typically not adjusted by management. Management internally reviews the derivative values provided by third party vendors on a quarterly basis. All derivative values are tested for reasonableness by management utilizing a net present value calculation.

For a fair value hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to the hedged financial instrument. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a fair value hedge are offset in current period earnings either in interest income or interest expense depending on the nature of the hedged financial instrument. For a cash flow hedge, the fair value of the interest rate swap is recognized on the balance sheet as either a freestanding asset or liability with a corresponding adjustment to other comprehensive income within shareholders' equity, net of tax. Subsequent adjustments due to changes in the fair value of a derivative that qualifies as a cash flow hedge are offset to other comprehensive income, net of tax. The portion of a hedge that is ineffective is recognized immediately in earnings.

For derivatives that are not designated in a hedge relationship, changes in the fair value of the derivatives are recognized in earnings in the same period as the change in the fair value. Unrealized gains and losses due to changes in the fair value of other derivative financial instruments not in hedge relationship are included in noninterest income and noninterest expense, respectively.

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, segregated by the level of the valuation inputs within the fair value hierarchy.

Description	Fair Value at June 30, 2012 Using			
	Balance as of June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 284,487	\$ 0	\$ 284,487	\$ 0
State and political subdivisions	89,012	0	89,012	0
Residential mortgage-backed securities				
Agency	132,288	0	132,288	0
Non-agency	25,866	0	25,866	0
Asset-backed securities	13,861	0	13,861	0
Trust preferred collateralized debt obligations	40,229	0	0	40,229
Single issue trust preferred securities	12,160	490	11,670	0
Other corporate securities	5,182	0	5,182	0
Total available for sale debt securities	603,085	490	562,366	40,229
Available for sale equity securities:				
Financial services industry	2,452	2,104	348	0
Equity mutual funds (1)	705	705	0	0
Other equity securities	902	902	0	0
Total available for sale equity securities	4,059	3,711	348	0
Total available for sale securities	607,144	4,201	562,714	40,229
Derivative financial assets:				
Interest rate contracts	3,186	0	3,186	0

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Liabilities

Derivative financial liabilities:

Interest rate contracts	5,644	0	5,644	0
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- (1) The equity mutual funds are within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

Description	Fair Value at December 31, 2011 Using			
	Balance as of December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available for sale debt securities:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	\$ 303,547	\$ 0	\$ 303,547	\$ 0
State and political subdivisions	98,848	0	98,848	0
Residential mortgage-backed securities				
Agency	193,404	0	193,404	0
Non-agency	37,541	364	37,177	0
Trust preferred collateralized debt obligations	42,369	0	0	42,369
Single issue trust preferred securities	11,760	428	11,332	0
Other corporate securities	5,090	0	5,090	0
Total available for sale debt securities	692,559	792	649,398	42,369
Available for sale equity securities:				
Financial services industry	2,243	1,923	320	0
Equity mutual funds (1)	860	860	0	0
Other equity securities	856	856	0	0
Total available for sale equity securities	3,959	3,639	320	0
Total available for sale securities	696,518	4,431	649,718	42,369
Derivative financial assets:				
Interest rate contracts	3,817	0	3,817	0
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	5,050	0	5,050	0

- (1) The equity mutual funds are within a rabbi trust for the payment of benefits under a deferred compensation plan for certain key officers of United and its subsidiaries.

The following table presents additional information about financial assets and liabilities measured at fair value at June 30, 2012 and December 31, 2011 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

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	Available-for-sale Securities Trust preferred collateralized debt obligations	
	June 30, 2012	December 31, 2011
Balance, beginning of period	\$ 42,369	\$ 49,908
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	(2,965)	(17,252)
Included in other comprehensive income	825	9,713
Purchases, issuances, and settlements	0	0
Transfers in and/or out of Level 3	0	0
Balance, ending of period	\$ 40,229	\$ 42,369

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at reporting date

	0	0
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Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by United to measure certain financial assets recorded at fair value on a nonrecurring basis in the financial statements.

Loans held for sale: Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, United records any fair value adjustments on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale during the quarter ended June 30, 2012. Gains and losses on sale of loans are recorded within income from mortgage banking on the Consolidated Statements of Income.

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impairment is measured based upon the present value of expected future cash flows from the loan discounted at the loan's effective rate and the loan's observable market price or the fair value of collateral, if the loan is collateral dependent. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an appraisal conducted by an independent, licensed appraiser outside of the Company using comparable property sales (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the Allowance for Loan Losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income.

OREO: OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the balance sheet at the lower of the investment in the assets or the fair value of the assets less estimated selling costs.

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Fair value is determined by one of two market approach methods depending on whether the property has been vacated and an appraisal can be conducted. If the property has yet to be vacated and thus an appraisal cannot be performed, a Brokers Price Opinion (i.e. BPO), is obtained. A BPO represents a best estimate valuation performed by a realtor based on knowledge of current property values and a visual examination of the exterior condition of the property. Once the property is subsequently vacated, a formal appraisal is obtained and the recorded asset value appropriately adjusted. On the other hand, if the OREO property has been vacated and an appraisal can be conducted, the fair value of the property is determined based upon the appraisal using a market approach. An authorized independent appraiser conducts appraisals for United. Appraisals for property other than ongoing construction are based on consideration of comparable property sales (Level 2). In contrast, valuation of ongoing construction assets requires some degree of professional judgment. In conducting an appraisal for ongoing construction property, the appraiser develops two appraised amounts: an as is appraised value and a completed value. Based on professional judgment and their knowledge of the particular situation, management determines the appropriate fair value to be utilized for such property (Level 3). As a matter of policy, valuations are reviewed at least annually and appraisals are generally updated on a bi-annual basis with values lowered as necessary.

Intangible Assets: For United, intangible assets consist of goodwill and core deposit intangibles. Goodwill is tested for impairment at least annually or sooner if indicators of impairment exist. Goodwill impairment would be defined as the difference between the recorded value of goodwill (i.e. book value) and the implied fair value of goodwill. In determining the implied fair value of goodwill for purposes of evaluating goodwill impairment, United determines the fair value of the reporting unit using a market approach and compares the fair value to its carrying value. If the carrying value exceeds the fair value, a step two test is performed whereby the implied fair value is computed by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. Core deposit intangibles relate to the estimated value of the deposit base of acquired institutions. Management reviews core deposit intangible assets on an annual basis, or sooner if indicators of impairment exist, and evaluates changes in facts and circumstances that may indicate impairment in the carrying value. No fair value measurement of intangible assets was made during the first six months of 2012,