UNITED BANKSHARES INC/WV
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

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: 002-86947

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

West Virginia	**55-0641179**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
300 United Center	
500 Virginia Street, East	
Charleston, West Virginia	**25301**
(Address of principal executive offices)	**Zip Code**

Registrant s telephone number, including area code: (304) 424-8716

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 every Interactive Data File required to be submitted 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 such files). **Yes** No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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; **103,183,953** shares outstanding as of **October 31, 2018**.

UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2018 and December 31, 2017, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2018 and 2017, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2018, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017, 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)	September 30 2018 (Unaudited)	December 31 2017 (Note 1)
Assets		
Cash and due from banks	$ 191,809	$ 196,742
Interest-bearing deposits with other banks	1,062,078	1,468,636
Federal funds sold	799	789
Total cash and cash equivalents	1,254,686	1,666,167
Securities available for sale at estimated fair value (amortized cost-$2,230,884 at September 30, 2018 and $1,900,684 at December 31, 2017)	2,178,567	1,888,756
Securities held to maturity (estimated fair value-$19,619 at September 30, 2018 and $20,018 at December 31, 2017)	20,351	20,428
Equity securities at estimated fair value	9,845	0
Other investment securities	166,749	162,461
Loans held for sale (at fair value-$231,310 at September 30, 2018 and $263,308 at December 31, 2017)	234,196	265,955
Loans	13,286,711	13,027,337
Less: Unearned income	(9,971)	(15,916)
Loans net of unearned income	13,276,740	13,011,421
Less: Allowance for loan losses	(76,941)	(76,627)
Net loans	13,199,799	12,934,794
Bank premises and equipment	99,748	104,894
Goodwill	1,478,014	1,478,380
Accrued interest receivable	60,057	52,815
Other assets	485,631	484,309
TOTAL ASSETS	$ 19,187,643	$ 19,058,959
Liabilities		
Deposits:		
Noninterest-bearing	$ 4,470,815	$ 4,294,687
Interest-bearing	9,620,357	9,535,904
Total deposits	14,091,172	13,830,591
Borrowings:		
Federal funds purchased	25,790	16,235
Securities sold under agreements to repurchase	153,718	311,352
Federal Home Loan Bank borrowings	1,284,781	1,271,531
Other long-term borrowings	234,590	242,446

Reserve for lending-related commitments	1,144	679
Accrued expenses and other liabilities	145,320	145,595
TOTAL LIABILITIES	15,936,515	15,818,429
Shareholders Equity		
Preferred stock, $1.00 par value; Authorized-50,000,000 shares, none issued	0	0
Common stock, $2.50 par value; Authorized-200,000,000 shares; issued-105,226,986 and 105,069,821 at September 30, 2018 and December 31, 2017, respectively, including 1,421,150 and 29,173 shares in treasury at September 30, 2018 and December 31, 2017, respectively	263,068	262,675
Surplus	2,133,157	2,129,077
Retained earnings	984,062	891,816
Accumulated other comprehensive loss	(76,660)	(42,025)
Treasury stock, at cost	(52,499)	(1,013)
TOTAL SHAREHOLDERS EQUITY	3,251,128	3,240,530
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 19,187,643	$ 19,058,959

See notes to consolidated unaudited financial statements.

4

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30 2018	Nine Months Ended September 30 2017
Interest income				
Interest and fees on loans	$ 164,229	$ 155,819	$ 472,451	$ 405,660
Interest on federal funds sold and other short-term investments	5,485	4,874	13,867	11,345
Interest and dividends on securities:				
Taxable	13,994	9,406	39,679	26,226
Tax-exempt	1,322	1,484	4,218	4,057
Total interest income	185,030	171,583	530,215	447,288
Interest expense				
Interest on deposits	26,368	14,227	61,101	35,281
Interest on short-term borrowings	618	430	1,503	1,149
Interest on long-term borrowings	9,269	6,650	25,671	16,717
Total interest expense	36,255	21,307	88,275	53,147
Net interest income	148,775	150,276	441,940	394,141
Provision for loan losses	4,808	7,279	16,190	21,429
Net interest income after provision for loan losses	143,967	142,997	425,750	372,712
Other income				
Fees from trust services	3,350	2,972	9,545	8,865
Fees from brokerage services	2,787	2,080	6,964	5,818
Fees from deposit services	8,673	8,744	25,323	24,978
Bankcard fees and merchant discounts	1,549	1,332	4,384	3,432
Other service charges, commissions, and fees	532	535	1,640	1,533
Income from bank-owned life insurance	1,251	1,403	3,776	3,878
Income from mortgage banking activities	13,277	20,385	46,539	43,597
Net investment securities (losses) gains	(152)	467	(692)	5,154
Other income	419	311	1,406	1,626
Total other income	31,686	38,229	98,885	98,881
Other expense				
Employee compensation	41,312	44,882	125,268	124,945
Employee benefits	8,645	9,004	27,514	25,667
Net occupancy expense	9,273	9,364	27,776	30,061
Other real estate owned (OREO) expense	921	2,713	2,423	4,651

Equipment expense	3,892	3,057	10,328	7,493
Data processing expense	6,068	5,597	17,735	14,971
Bankcard processing expense	485	449	1,431	1,356
FDIC insurance expense	3,530	1,540	8,220	5,062
Other expense	19,189	20,046	56,482	57,425
Total other expense	93,315	96,652	277,177	271,631
Income before income taxes	82,338	84,574	247,458	199,962
Income taxes	17,926	27,836	55,066	67,356
Net income	$ 64,412	$ 56,738	$ 192,392	$ 132,606

5

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (Unaudited) continued

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Earnings per common share:				
Basic	$ 0.62	$ 0.54	$ 1.84	$ 1.39
Diluted	$ 0.62	$ 0.54	$ 1.83	$ 1.39
Dividends per common share	$ 0.34	$ 0.33	$ 1.02	$ 0.99
Average outstanding shares:				
Basic	103,617,590	104,760,153	104,382,094	95,040,664
Diluted	103,933,959	105,068,122	104,679,876	95,450,626

See notes to consolidated unaudited financial statements

6

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Net income	$ 64,412	$ 56,738	$ 192,392	$ 132,606
Change in net unrealized (loss) gain on available-for-sale (AFS) securities, net of tax	(7,579)	1,964	(30,853)	8,443
Accretion of the net unrealized loss on the transfer of AFS securities to held-to-maturity (HTM) securities, net of tax	2	2	4	4
Change in pension plan assets, net of tax	918	717	2,703	2,107
Comprehensive income, net of tax	$ 57,753	$ 59,421	$ 164,246	$ 143,160

7

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2018						
	Common Stock				Accumulated Other Comprehensive		Total
	Shares	Par Value	Surplus	Retained Earnings	Income (Loss)	Treasury Stock	Shareholders Equity
Balance at January 1, 2018	105,069,821	$ 262,675	$ 2,129,077	$ 891,816	($ 42,025)	($ 1,013)	$ 3,240,530
Cumulative effect of adopting Accounting Standard Update 2016-01				136	(136)		0
Reclass due to adopting Accounting Standard Update 2018-02				6,353	(6,353)		0
Comprehensive income:							
Net income	0	0	0	192,392	0	0	192,392
Other comprehensive income, net of tax:	0	0	0	0	(28,146)	0	(28,146)
Total comprehensive income, net of tax							164,246
Stock based compensation expense	0	0	3,016	0	0	0	3,016
Purchase of treasury stock (1,387,750 shares)	0	0	0	0	0	(51,323)	(51,323)
Distribution of treasury stock from deferred compensation plan (26 shares)	0	0	0	0	0	1	1
	0			(106,635)	0	0	(106,635)

Cash dividends ($1.02 per share)							
Grant of restricted stock (97,004 shares)	97,004	243	(243)	0	0	0	0
Forfeiture of restricted stock (4,253 shares)	0	0	164	0	0	(164)	0
Common stock options exercised (60,161 shares)	60,161	150	1,143	0	0	0	1,293
Balance at September 30, 2018	105,226,986	$ 263,068	$ 2,133,157	$ 984,062	($ 76,660)	($ 52,499)	$ 3,251,128

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)

	Nine Months Ended September 30	
	2018	**2017**
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 218,771	$ 125,151
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	2	12,929
Proceeds from sales of securities available for sale	86,061	245,065
Proceeds from maturities and calls of securities available for sale	201,107	386,496
Purchases of securities available for sale	(629,760)	(630,061)
Proceeds from sales of equity securities	1,825	0
Purchases of equity securities	(598)	0
Proceeds from sales and redemptions of other investment securities	35,987	14,393
Purchases of other investment securities	(45,075)	(51,941)
Purchases of bank premises and equipment	(4,439)	(11,115)
Proceeds from sales of bank premises and equipment	2,171	13
Proceeds from the sales of OREO properties	9,105	4,908
Acquisition of subsidiaries, net of cash paid	0	44,531
Net change in loans	(248,623)	369,233
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(592,237)	384,451
FINANCING ACTIVITIES		
Cash dividends paid	(107,046)	(86,709)
Acquisition of treasury stock	(51,323)	(1)
Proceeds from exercise of stock options	1,277	3,296
Repayment of long-term Federal Home Loan Bank borrowings	(635,000)	(845,207)
Proceeds from issuance of long-term Federal Home Loan Bank borrowings	650,000	815,000
Repayment of trust preferred issuance	(9,374)	0
Distribution of treasury stock for deferred compensation plan	1	1
Changes in:		
Deposits	261,529	(269,742)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	(148,079)	186,270
NET CASH USED IN FINANCING ACTIVITIES	(38,015)	(197,092)
(Decrease) Increase in cash and cash equivalents	(411,481)	312,510
Cash and cash equivalents at beginning of year	1,666,167	1,434,527

Cash and cash equivalents at end of period	$ 1,254,686	$ 1,747,037
Supplemental information		
Noncash investing activities:		
Transfers of loans to OREO	$ 1,809	$ 3,829

*See notes to consolidated unaudited financial statements***.**

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated interim financial statements of United Bankshares, Inc. and Subsidiaries (United or the Company) have been prepared in accordance with accounting principles for interim financial information generally accepted in the United States (GAAP) and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not contain all of the information and footnotes required by accounting principles generally accepted in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements presented as of September 30, 2018 and 2017 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2017 has been extracted from the audited financial statements included in United s 2017 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 2017 Annual Report of United on Form 10-K. To conform to the 2018 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 operates in two business segments: community banking and mortgage banking. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Information is presented in these notes to the unaudited consolidated interim financial statements with dollars expressed in thousands, except per share or unless otherwise noted.

New Accounting Standards

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-14 Compensation Retirement Benefits Defined Benefits General (Topic 715-20): Disclosure Framework Changes to the Disclosure Requirements for Defined Benefit Plans. This update amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other post retirement plans. The ASU s changes related to disclosures are part of the FASB s disclosure framework project, which the FASB launched in 2014 to improve effectiveness of disclosures in notes to financial statements. ASU No. 2018-14 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2020; early adoption is permitted. ASU No. 2018-14 is not expected to have a material impact on the Company s financial condition or results of operations.

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820), Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement. This amendment changes the fair value measurement disclosure requirements of ASC 820 and is the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting Chapter 8: Notes to Financial Statements, which was finalized in August 2018. ASU No. 2018-13 is effective for all entities for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2019; early adoption is permitted for any eliminated or modified disclosure upon issuance of this ASU. ASU No. 2018-13 is not expected to have a material impact on the Company s financial condition or results of operations.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-07 Compensation-Stock Compensation (Topic 718):Improvements to Nonemployee Share-Based Payment Accounting. This update has been issued as part of a simplification initiative which will expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees and expands the scope through the amendments to address and improve aspects of the accounting for non-employee share-based payment transactions. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU No. 2018-07 is effective for public companies for fiscal years, and interim fiscal periods within those fiscal years, beginning after December 15, 2018; early adoption is permitted. ASU No. 2018-07 is not expected to have a material impact on the Company s financial condition or results of operations.

In February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2018-03 clarifies that entities that use the measurement alternative for equity securities without readily determinable fair values can change its measurement approach to fair value. This election is irrevocable and will apply to all future purchases of identical or similar investments of the same issuer. The amended guidance also clarifies that adjustments made under the measurement alternative should reflect the fair value of the security as of the date that an observable transaction took place rather than the current reporting date. Entities will use the prospective transition approach only for securities they elect to measure using the measurement alternative. ASU No. 2018-03 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU No. 2018-03 did not have a material impact on the Company s financial condition or results of operations.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to help organizations address certain stranded income tax effects in accumulated other comprehensive income (AOCI) resulting from the Tax Cuts and Jobs Act (the Tax Act). This ASU provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act (or portion thereof) is recorded. The amendments are effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Organizations should apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. United adopted ASU No. 2018-02 in the first quarter of 2018 and reclassified $6,353 of stranded income tax effected amounts in AOCI to retained earnings.

In August 2017, the FASB issued ASU No. 2017-12, Targeting Improvement to Accounting for Hedging Activities. This ASU amends ASC 815 and its objectives are to improve the transparency and understandability of information conveyed to financial statement users about an entity s risk management activities by better aligning the entity s financial reporting for hedging relationships with those risk management activities and reduce the complexity and simplify the application of hedge accounting by preparers. ASU No. 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. ASU No. 2017-12 is not expected to have a material impact on the Company s financial condition or results of operations.

In July 2017, the FASB issued ASU No. 2017-11, Part I, Accounting for Certain Financial Instruments with Down Round Features and Part II, Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling interests with a Scope Exception. Part I of this ASU simplifies the accounting for financial instruments that include down round features while the amendments in Part II, which do not have an accounting effect, address the difficulty of navigating

the guidance in ASC 480, Distinguishing Liabilities from Equity , due to the existence of extensive pending content in the Codification. ASU No. 2017-11 is effective for interim and annual reporting periods beginning after December 15, 2018. ASU No. 2017-11 is not expected to have a material impact on the Company s financial condition or results of operations.

In May 2017, the FASB issued ASU No. 2017-09, Stock Compensation, Scope of Modification Accounting. This ASU clarifies when changes to the terms of conditions of a share-based payment award must be accounted for as modifications. Companies will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. The new guidance should reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications, as the guidance will allow companies to make certain non-substantive changes to awards without accounting for them as modifications. It does not change the accounting for modifications. ASU No. 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU No. 2017-09 did not have a material impact on the Company s financial condition or results of operations.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU No. 2017-07 amends ASC 715, Compensation Retirement Benefits and will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. ASU No. 2017-07 was effective for United on January 1, 2018. The adoption of ASU No. 2017-07 had a slight change in presentation but did not materially impact the Company s financial condition or results of operations. United used amounts previously disclosed in its Employee Benefits Plan footnote (Note 14) to retrospectively adjust prior period amounts of employee compensation and employee benefits within United s Consolidated Statements of Income.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles Goodwill and Other (Topic 350). ASU No. 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit s carrying amount over its fair value. ASU No. 2017-04 is effective for United on January 1, 2020, with early adoption permitted, and management is currently evaluating the possible impact this standard may have on the Company s financial condition or results of operations.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU No. 2017-01 changes the definition of a business to assist entities with evaluation when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. ASU No. 2017-01 was effective for United on January 1, 2018 and did not have a material impact on the Company s financial condition or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU No. 2016-15 amends ASC Topic 230 to add and clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows as a result of diversity in practice and in certain circumstances, financial statement restatements. Entities should apply ASU No. 2016-15 using a retrospective transition method to each period presented. ASU No. 2016-15 was effective for United on January 1, 2018 and did not have a material impact on the Company s financial condition or results of operations.

Table of Contents

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses. ASU No. 2016-13 changes the impairment model for most financial assets and certain other instruments that aren t measured at fair value through net income. The standard will replace today s incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount under the current other-than-temporary impairment (OTTI) model. ASU No. 2016-13 also simplifies the accounting model for purchased credit-impaired debt securities and loans. Entities will apply the standard s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU No. 2016-13 is effective for United on January 1, 2020, with early adoption permitted, and management is currently evaluating the possible impact this standard may have on the Company s financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 will change certain aspects of accounting for share-based payments to employees. The new guidance will, amongst other things, require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. The requirement to report those income tax effects in earnings was applied to settlements occurring on or after January 1, 2017 and the impact of applying that guidance reduced reporting income tax expense by $1,048 for the year of 2017. ASU No. 2016-09 also allows an employer to repurchase more of an employee s shares than it could previously for tax withholding purposes without triggering liability accounting and make a policy election to account for forfeitures as they occur. The Company will continue to estimate the number of awards expected to be forfeited and adjust the estimate when it is no longer probable that the employee will fulfill the service condition, as was previously required. ASU No. 2016-09 also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award s vesting period. The adoption of ASU No. 2016-09 did not have a material impact on the Company s financial condition or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) . ASU No. 2016-02 includes a lessee accounting model that recognizes two types of leases, finance leases and operating leases, while lessor accounting will remain largely unchanged from the current GAAP. ASU No. 2016-02 requires, amongst other things, that a lessee recognize on the balance sheet a right-of-use asset and a lease liability for leases, which has not yet been quantified, with terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. In July 2018, the FASB issued ASU No. 2018-11 Leases (Topic 842), Targeted Improvements. This update creates an additional transition method, and a lessor practical expedient to not separate lease and non-lease components if specified criteria are met. The new transition method allows companies to use the effective date of the new leases standard as the date of initial application transition. Companies that elect this transition option will not adjust their comparative period financial information for the effect of ASC 842, nor will they make the new required lease disclosure for periods before the effective date. In addition, these companies will carry forward their ASC 840 disclosures for comparative periods. The practical expedient permits lessors to make an accounting policy election by class of underlying asset to not separate lease and non-lease components if specified criteria are met. In July 2018, the FASB issued ASU No. 2018-10 Codification Improvements to Topic 842, Leases. This update includes narrow amendments to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2018-10 does not make any substantive changes to the core provisions or principals of the new leases standard. The Company expects to adopt the new guidance on January 1, 2019 and use the effective date as the date of initial application.

13

The Company is currently assessing the impact of the adoption of ASU No. 2016-02 on the Company s results of operations, financial position and cash flows. The Company has evaluated and plans to elect the practical expedients, which would allow for existing leases to be accounted for consistent with current guidance, with the exception of the balance sheet recognition for lessees. As a lessee, United had $69,844 in total future minimum lease payments for operating leases as of December 31, 2017. Management is substantially complete with its contract review and will update for any activity during the fourth quarter of 2018. The initial measurement of the leases is currently under evaluation. To assist in determining this information as well as the additional requirements of the new standard, the Company has evaluated and selected a third-party lease accounting software solution as part of its implementation strategy. All lease data necessary to apply the new standard has been accumulated and entered into the new leasing software program. The Company is currently in the process of validating the accuracy of such information. The Company is also finalizing documentation of the new lease accounting process and has drafted internal controls over financial reporting as part of the implementation process.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 makes changes to the classification and measurement of investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value under the fair value option and disclosure of fair value of instruments. In addition, ASU No. 2016-01 clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU No. 2016-01 was adopted by United on January 1, 2018 and did not have a significant impact on the Company s financial condition or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition , and most industry-specific guidance throughout the ASC. The amendments require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new revenue recognition standard sets forth a five-step principle-based approach for determining revenue recognition. For United, revenue is comprised of net interest income and noninterest income. As the standard does not apply to revenue associated with financial instruments, net interest income, gains and losses from securities, income from bank-owned life insurance (BOLI) and income from mortgage banking activities are not impacted by the standard. Based on a review and evaluation of a number of revenue contracts, United s management determined that ASU No. 2014-09 impacts certain recurring revenue streams related to noninterest income such as fees from trust and brokerage services. However, based on an assessment of these revenue streams under the standard, management concluded that ASU No. 2014-09 does not have a material impact on the Company s financial condition or results of operations. In addition, in the Company s evaluation of the nature of its contracts with customers, United has determined that further disaggregation of revenue from contracts with customers into more granular categories beyond those presented in the Consolidated Statements of Income was not necessary. ASU No. 2014-09 was adopted by United on January 1, 2018 using the modified-retrospective transition method. No cumulative effect adjustment was made to the opening balance of retained earnings because the amount was considered immaterial. The impact of ASU No. 2014-09 for the first nine months of 2018 was also immaterial to United s consolidated financial position, results of operations, shareholders equity, cash flows and disclosures.

Descriptions of our revenue-generating activities that are within the scope of ASC Topic 606, which are presented in our Consolidated Statements of Income as components of Other Income are discussed below. There are no significant judgements relating to the amount and timing of revenue recognition for those revenue streams under the scope of ASC Topic 606.

Table of Contents

Fees from Trust Services

Revenue from trust services primarily is comprised of fees earned from the management and administration of trusts and other customer assets. Trust services include custody of assets, investment management, escrow services, and similar fiduciary activities. The Company s performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers accounts.

Fees from Brokerage Services

Revenue from brokerage services are recorded as the income is earned at the time the related service is performed. In return for such services, the Company charges a commission for the sales of various securities products primarily consisting of investment company shares, annuity products, and corporate debt and equity securities, for its selling and administrative efforts. For account supervision, advisory and administrative services, revenue is recognized over a period of time as earned based on customer account balances and activity.

Fees from Deposit Services

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, ATM activity fees, debit card fees, and other deposit account related fees. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (ATM or debit card activity).

Bankcard Fees and Merchant Discounts

Bankcard fees and merchant discounts are primarily comprised of credit card income and merchant services income. Credit card income is primarily comprised of interchange fees earned whenever the Company s credit cards are processed through card payment networks such as Visa. Merchant services income mainly represents fees charged to merchants to process their credit card transactions. The Company s performance obligation for bankcard fees and exchange are largely satisfied, and related revenue recognized at the time services are rendered. Payment is typically received immediately or in the following month.

2. MERGERS AND ACQUISITIONS

Cardinal Financial Corporation

On April 21, 2017 (Cardinal Acquisition Date), United acquired 100% of the outstanding common stock of Cardinal Financial Corporation (Cardinal), headquartered in Tysons Corner, Virginia. The acquisition of Cardinal expands United s existing footprint in the Washington, D.C. Metropolitan Statistical Area. At consummation, Cardinal had assets of $4,136,008, loans of $3,313,033 and deposits of $3,344,740. Cardinal also operated George Mason Mortgage, LLC (George Mason), a residential mortgage lending company based in Fairfax, Virginia with offices located in Virginia, Maryland, North Carolina, South Carolina and the District of Columbia. As a result of the merger, George Mason became an indirectly-owned subsidiary of United.

The merger was accounted for under the acquisition method of accounting. The results of operations of Cardinal are included in the consolidated results of operations from the Cardinal Acquisition Date.

The aggregate purchase price was approximately $975,254, including common stock valued at $972,499, stock options assumed valued at $2,741, and cash paid for fractional shares of $14. The number of shares issued in the transaction was 23,690,589, which were valued based on the closing market price of $41.05 for United s common shares on April 21, 2017. The purchase price has been allocated to the identifiable tangible and intangible assets resulting in additions to goodwill, core deposit intangibles and the George Mason trade name intangible of $612,920, $28,724 and $1,080, respectively. The core deposit intangibles are being amortized over ten years. The George Mason trade name provides a source of market recognition to attract potential clients and retain existing relationships. United believes the George Mason trade name provides a competitive advantage and is likely going to be used into perpetuity and thus will not be subject to amortization, but rather be evaluated for impairment.

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 Cardinal acquisition is deductible for tax purposes. United used an independent third party to help determine the fair values of the assets and liabilities acquired from Cardinal. As a result of the merger, United recorded fair value discounts of $144,434 on the loans acquired, $2,281 on leases and $8,738 on trust preferred issuances, respectively, and premiums of $4,408 on land acquired, $5,072 on interest-bearing deposits and $10,740 on long-term FHLB advances, respectively. The remaining discount and premium amounts are being accreted or amortized on an accelerated or straight-line basis over each asset s or liability s estimated remaining life at the time of acquisition except for loans and land. The discount on loans will be accreted into income based on the effective yield method. The premium on land will not be amortized. At September 30, 2018, the discounts on leases and trust preferred issuances had an average estimated remaining life of 5.00 years and 15.97 years, respectively, and the premiums on the interest-bearing deposits and the FHLB advances each had an average estimated remaining life of 4.00 years and 3.81 years, respectively. United assumed approximately $1,825 of liabilities to provide severance benefits to terminated employees of Cardinal, which has no remaining balance as of September 30, 2018. The estimated fair values of the acquired assets and assumed liabilities, including identifiable intangible assets and goodwill are considered final as of April 21, 2018.

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 value 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 Cardinal s previously established allowance for loan losses.

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 Cardinal merger, the acquired loan portfolio was accounted for at fair value as follows:

	April 21, 2017

Contractually required principal and interest at acquisition	$ 4,211,734
Contractual cash flows not expected to be collected	(56,176)
Expected cash flows at acquisition	4,155,558
Interest component of expected cash flows	(986,959)
Basis in acquired loans at acquisition estimated fair value	$ 3,168,599

Table of Contents

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 $132,837, $108,275, and $86,696, respectively.

The consideration paid for Cardinal s common equity and the amounts of acquired identifiable assets and liabilities assumed as of the Cardinal Acquisition Date were as follows:

Purchase price:	
Value of common shares issued (23,690,589 shares)	$ 972,499
Fair value of stock options assumed	2,741
Cash for fractional shares	14
Total purchase price	975,254
Identifiable assets:	
Cash and cash equivalents	44,545
Investment securities	395,829
Loans held for sale	271,301
Loans	3,168,599
Premises and equipment	24,774
Core deposit intangibles	28,724
George Mason trade name intangible	1,080
Other assets	135,383
Total identifiable assets	$ 4,070,235
Identifiable liabilities:	
Deposits	$ 3,349,812
Short-term borrowings	96,215
Long-term borrowings	220,119
Unfavorable lease liability	2,281
Other liabilities	39,474
Total identifiable liabilities	3,707,901
Fair value of net assets acquired including identifiable intangible assets	362,334
Resulting goodwill	$ 612,920

The operating results of United for the nine months ended September 30, 2018 include operating results of acquired assets and assumed liabilities. The operations of United s metropolitan Washington D.C. geographic area, which primarily includes the acquired operations of Cardinal, provided $519,747 in total revenues, which represents net interest income plus other income, and $270,914 in net income from the period from the Cardinal Acquisition Date to September 30, 2018. These amounts are included in United s consolidated financial statements as of and for the nine months ended September 30, 2018. Cardinal s results of operations prior to the Cardinal Acquisition Date are not included in United s consolidated financial statements.

17

Table of Contents

3. INVESTMENT SECURITIES

Securities Available for Sale

Securities held for indefinite periods of time 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.

	September 30, 2018				
	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	$ 103,237	$ 0	$ 1,672	$ 101,565	$ 0
State and political subdivisions	258,656	440	6,850	252,246	0
Residential mortgage-backed securities					
Agency	973,307	541	30,201	943,647	0
Non-agency	4,086	486	0	4,572	86
Commercial mortgage-backed securities					
Agency	557,211	71	13,630	543,652	0
Asset-backed securities	223,350	638	386	223,602	0
Trust preferred collateralized debt obligations	6,176	253	275	6,154	2,586
Single issue trust preferred securities	8,748	127	771	8,104	0
Other corporate securities	96,113	51	1,139	95,025	0
Total	$ 2,230,884	$ 2,607	$ 54,924	$ 2,178,567	$ 2,672

	December 31, 2017				
	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	$ 114,735	$ 385	$ 362	$ 114,758	$ 0
State and political subdivisions	303,101	3,197	2,429	303,869	0
Residential mortgage-backed securities					
Agency	821,857	2,096	9,360	814,593	0
Non-agency	4,969	543	0	5,512	86
Commercial mortgage-backed securities					
Agency	457,107	1,059	3,309	454,857	0
Asset-backed securities	109,829	148	7	109,970	0
Trust preferred collateralized debt obligations	37,856	542	4,129	34,269	20,770
Single issue trust preferred securities	13,417	368	1,225	12,560	0
Other corporate securities	28,101	407	18	28,490	0
Marketable equity securities	9,712	179	13	9,878	0

Total	$ 1,900,684	$ 8,924	$ 20,852	$ 1,888,756	$ 20,856

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

Table of Contents

The following is a summary of securities available-for-sale which were in an unrealized loss position at September 30, 2018 and December 31, 2017.

	Less than 12 months		12 months or longer	
September 30, 2018	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 89,255	$ 1,233	$ 12,311	$ 439
State and political subdivisions	127,202	2,166	80,886	4,684
Residential mortgage-backed securities				
Agency	612,343	15,591	300,669	14,610
Non-agency	0	0	0	0
Commercial mortgage-backed securities				
Agency	318,487	7,693	209,241	5,937
Asset-backed securities	92,432	386	0	0
Trust preferred collateralized debt obligations	0	0	2,225	275
Single issue trust preferred securities	0	0	4,950	771
Other corporate securities	78,095	1,139	0	0
Total	$ 1,317,814	$ 28,208	$ 610,282	$ 26,716

	Less than 12 months		12 months or longer	
December 31, 2017	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 36,678	$ 230	$ 22,920	$ 132
State and political subdivisions	82,896	566	59,432	1,863
Residential mortgage-backed securities				
Agency	460,414	4,621	182,482	4,739
Non-agency	0	0	0	0
Commercial mortgage-backed securities				
Agency	282,858	2,386	70,763	923
Asset-backed securities	27,931	7	0	0
Trust preferred collateralized debt obligations	0	0	28,629	4,129
Single issue trust preferred securities	0	0	4,485	1,225
Other corporate securities	6,975	18	0	0
Marketable equity securities	0	0	363	13
Total	$ 897,752	$ 7,828	$ 369,074	$ 13,024

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 September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Proceeds from sales and calls	$ 109,093	$ 64,257	$ 283,953	$ 631,561
Gross realized gains	93	1,781	1,314	2,840
Gross realized losses	207	1,314	1,604	1,396

At September 30, 2018, gross unrealized losses on available for sale securities were $54,924 on 733 securities of a total portfolio of 865 available for sale securities. Securities in an unrealized loss position at September 30, 2018 consisted primarily of state and political subdivision securities, and agency commercial and residential mortgage-backed securities. The state and political subdivisions securities relate to securities issued by various municipalities. The agency commercial and residential mortgage-backed securities relate to commercial and residential properties and provide a guaranty of full and timely payments of principal and interest by the issuing agency.

In determining whether or not a security is other-than-temporarily impaired (OTTI), 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.

State and political subdivisions

United s state and political subdivisions portfolio relates to securities issued by various municipalities located throughout the United States. The total amortized cost of available for sale state and political subdivision securities was $258,656 million at September 30, 2018. As of September 30, 2018, approximately 76% of the portfolio was supported by the general obligation of the issuing municipality, which allows for the securities to be repaid by any means available to the municipality. The majority of the portfolio was rated AA or higher, and less than one percent of the portfolio was rated below investment grade as of September 30, 2018. In addition to monitoring the credit ratings of these securities, management also evaluates the financial performance of the underlying issuers on an ongoing basis. Based upon management s analysis and judgment, it was determined that none of the state and political subdivision securities were other-than-temporarily impaired at September 30, 2018.

Agency mortgage-backed securities

United s agency mortgage-backed securities portfolio relates to securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae. The total amortized cost of available for sale agency mortgage-backed securities was $1,530,518 at September 30, 2018. Of the $1,530,518 amount, $557,211 was related to agency commercial mortgage-backed securities and $973,307 was related to agency residential mortgage-backed securities. Each of the agency mortgage-backed securities provides a guarantee of full and timely payments of principal and interest by the issuing agency. Based upon management s analysis and judgment, it was determined that none of the agency mortgage-backed securities were other-than-temporarily impaired at September 30, 2018.

Non-agency residential mortgage-backed securities

United s non-agency residential mortgage-backed securities portfolio relates to securities of various private label issuers. The total amortized cost of available for sale non-agency residential mortgage-backed securities was $4,086 at September 30, 2018. Of the $4,086 amount, $170 was rated above investment grade and $3,916 was rated below investment grade. The entire portfolio of the non-agency residential mortgage-backed securities are either the senior or super-senior tranches of their respective structure. Based upon management s analysis and judgment, it was determined that none of the non-agency mortgage-backed securities were other-than-temporarily impaired at September 30, 2018.

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, and other key factors. Upon completing the review for the third

quarter of 2018, it was determined that none of the single issue trust preferred securities were other-than-temporarily impaired. All single issue trust preferred securities are currently receiving interest payments. The amortized cost of available for sale single issue trust preferred securities as of September 30, 2018 consisted of $3,028 in investment grade bonds and $5,720 in unrated bonds. The investment grade bonds were rated BBB-. All of the unrated bonds were in an unrealized loss position for twelve months or longer as of September 30, 2018.

Trust preferred collateralized debt obligations (Trup Cdos)

The total amortized cost balance of United s Trup Cdo portfolio was $6,176 as of September 30, 2018. For any securities in an unrealized loss position, the Company first assesses its intentions regarding any sale of securities as well as the likelihood that it would be required to sell prior to recovery of the amortized cost. As of September 30, 2018, the Company has determined that it does not intend to sell any Trup Cdo and that it is not more likely than not that the Company will be required to sell such securities before recovery of their amortized cost.

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. Except for the debt 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 September 30, 2018 is other-than-temporarily impaired.

Corporate securities

As of September 30, 2018, United s Corporate securities portfolio had a total amortized cost balance of $96,113. The majority of the portfolio consisted of debt issuances of corporations representing a variety of industries, including financial institutions. Of the $96,113, 78% was investment grade rated and 22% was unrated. For corporate securities, management 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 determined that no corporate securities were other-than-temporarily impaired at September 30, 2018.

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2018	**2017**	**2018**	**2017**
Balance of cumulative credit losses at beginning of period	$ 3,199	$ 22,162	$ 18,060	$ 22,162
Reductions for securities sold or paid off during the period	0	(4,102)	(14,861)	(4,102)
Balance of cumulative credit losses at end of period	$ 3,199	$ 18,060	$ 3,199	$ 18,060

The amortized cost and estimated fair value of securities available for sale at September 30, 2018 and December 31, 2017 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.

	September 30, 2018		December 31, 2017	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 76,698	$ 76,346	$ 50,311	$ 50,212
Due after one year through five years	500,052	490,797	386,039	384,585
Due after five years through ten years	466,155	451,981	400,129	398,208
Due after ten years	1,187,979	1,159,443	1,054,493	1,045,873
Marketable equity securities	0	0	9,712	9,878
Total	$ 2,230,884	$ 2,178,567	$ 1,900,684	$ 1,888,756

Table of Contents

Securities Held to Maturity

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

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 5,103	$ 132	$ 0	$ 5,235
State and political subdivisions	5,798	8	1	5,805
Residential mortgage-backed securities				
Agency	21	2	0	23
Single issue trust preferred securities	9,409	0	873	8,536
Other corporate securities	20	0	0	20
Total	$ 20,351	$ 142	$ 874	$ 19,619

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 5,187	$ 308	$ 0	$ 5,495
State and political subdivisions	5,797	10	0	5,807
Residential mortgage-backed securities				
Agency	23	3	0	26
Single issue trust preferred securities	9,401	0	731	8,670
Other corporate securities	20	0	0	20
Total	$ 20,428	$ 321	$ 731	$ 20,018

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 September 30, 2018, the Company s largest held-to-maturity single-issue trust preferred exposure was to SunTrust Bank ($7,432). The two held-to-maturity single-issue trust preferred exposures with at least one rating below investment grade included SunTrust Bank ($7,432) and Royal Bank of Scotland ($977).

There were no gross realized gains or losses on calls and sales of held to maturity securities included in earnings for the third quarter and first nine months of 2018 and 2017.

The amortized cost and estimated fair value of debt securities held to maturity at September 30, 2018 and December 31, 2017 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.

Table of Contents

	September 30, 2018		December 31, 2017	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 7,103	$ 7,235	$ 0	$ 0
Due after one year through five years	2,158	2,163	9,344	9,660
Due after five years through ten years	8,093	7,610	5,663	5,343
Due after ten years	2,997	2,611	5,421	5,015
Total	$ 20,351	$ 19,619	$ 20,428	$ 20,018

Equity securities at fair value

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 fair value of United s equity securities was $9,845 at September 30, 2018. Prior to the adoption of ASU No. 2016-01 on January 1, 2018, equity securities were included in available for sale securities.

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Net losses recognized during the period	$ (38)	$ (102)
Net losses recognized during the period on equity securities sold	(2)	(4)
Unrealized gains recognized during the period on equity securities still held at period end	0	50
Unrealized losses recognized during the period on equity securities still held at period end	36	148

Other investment securities

During the third quarter of 2018, United evaluated all of its cost method investments to determine if certain events or changes in circumstances during the third quarter of 2018 had a significant adverse effect on the fair value of any of its cost method securities. United determined that there was no individual security that experienced an adverse event during the third quarter. There were no other events or changes in circumstances during the third quarter which would have an adverse effect on the fair value of its cost method securities.

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 $1,999,152 and $1,403,565 at September 30, 2018 and December 31, 2017, respectively.

Table of Contents

4. LOANS

Major classes of loans are as follows:

	September 30, 2018	December 31, 2017
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	$ 1,336,434	$ 1,361,629
Nonowner-occupied commercial real estate	4,341,501	4,451,298
Other commercial loans	1,932,919	1,998,979
Total commercial, financial & agricultural	7,610,854	7,811,906
Residential real estate	3,387,268	2,996,171
Construction & land development	1,379,985	1,504,907
Consumer:		
Bankcard	9,530	10,314
Other consumer	899,074	704,039
Total gross loans	$ 13,286,711	$ 13,027,337

The table above does not include loans held for sale of $234,196 and $265,955 at September 30, 2018 and December 31, 2017, 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 include previously acquired impaired loans with a recorded investment of $155,526 or 1.17% of total gross loans at September 30, 2018 and $210,521 or 1.62% of total gross loans at December 31, 2017. The contractual principal in these acquired impaired loans was $205,034 and $285,964 at September 30, 2018 and December 31, 2017, 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 nine months of 2018 follows:

Accretable yield at the beginning of the period	$ 39,098
Accretion (including cash recoveries)	(8,371)
Additions	691
Net reclassifications to accretable from non-accretable	9,112
Disposals (including maturities, foreclosures, and charge-offs)	(3,323)
Accretable yield at the end of the period	$ 37,207

United s subsidiary bank has made loans to the directors and officers of United and its subsidiaries, and to their affiliates. The aggregate dollar amount of these loans was $25,826 and $36,360 at September 30, 2018 and December 31, 2017, respectively.

Table of Contents

5. CREDIT QUALITY

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

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual status. The accrual of interest income on commercial and most consumer loans generally is discontinued when a loan becomes 90 to 120 days past due as to principal or interest. However, regardless of delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan will not be placed on nonaccrual status. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. United s method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt. 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 concession is granted and there is 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 September 30, 2018, United had TDRs of $63,626 as compared to $50,129 as of December 31, 2017. Of the $63,626 aggregate balance of TDRs at September 30, 2018, $50,974 was on nonaccrual, $85 were 90 days or more past due and $1,778 were 30 to 89 days past due. Of the $50,129 aggregate balance of TDRs at December 31, 2017, $30,868 was on nonaccrual, $95 were 90 days or more past due and $1,254 were 30 to 89 days past due. All these amounts are included in the appropriate categories in the Age Analysis of Past Due Loans table on a subsequent page. As of September 30, 2018, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs. At September 30, 2018, United had restructured loans in the amount of $1,646 that were modified by a reduction in the interest rate, $1,849 that were modified by a combination of a reduction in the interest rate and the principal and $60,131 that were 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 unless it does not perform in accordance with its restructured contractual provisions.

The following table sets forth United s troubled debt restructurings that have been restructured during the three months ended September 30, 2018, segregated by class of loans. No loans were restructured during the three months ended September 30, 2017.

	Troubled Debt Restructurings For the Three Months Ended September 30, 2018		
	Number of	**Pre-Modification Outstanding**	**Post-Modification**

	Contracts	Recorded Investment	Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	0	$ 0	$ 0
Nonowner-occupied	0	0	0
Other commercial	5	7,420	7,364
Residential real estate	1	272	272
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	6	$ 7,692	$ 7,636

Table of Contents

The following table sets forth United s troubled debt restructurings that have been restructured during the nine months ended September 30, 2018 and 2017, segregated by class of loans:

	Troubled Debt Restructurings For the Nine Months Ended					
	September 30, 2018			September 30, 2017		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:						
Owner-occupied	0	$ 0	$ 0	1	$ 5,333	$ 5,333
Nonowner-occupied	0	0	0	0	0	0
Other commercial	9	16,992	16,890	8	24,102	22,291
Residential real estate	3	7,225	7,225	0	0	0
Construction & land development	0	0	0	1	1,456	1,400
Consumer:						
Bankcard	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total	12	$ 24,217	$ 24,115	10	$ 30,891	$ 29,024

During the third quarter and first nine months of 2018, $7,636 and $24,115 of restructured loans were modified by a change in loan terms. During the first nine months of 2017, $29,024 of restructured loans were modified by a change in loan terms. In some instances, the post-modification balance on the restructured loans 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.

The following table presents troubled debt restructurings, by class of loan, that had charge-offs during the three months and nine months ended September 30, 2018.

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
(In thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Troubled Debt Restructurings				
Commercial real estate:				
Owner-occupied	0	$ 0	0	$ 0
Nonowner-occupied	0	0	0	0

Other commercial	1		622	1		622
Residential real estate	0		0	0		0
Construction & land development	0		0	0		0
Consumer:						
Bankcard	0		0	0		0
Other consumer	0		0	0		0
Total	1	$	622	1	$	622

No loans restructured during the twelve-month period ended September 30, 2017 subsequently defaulted, resulting in a principal charge-off during the three months and first nine months ended September 30, 2017.

Table of Contents

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 September 30, 2018

	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other (1)	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	$ 11,089	$ 18,009	$ 29,098	$ 1,307,336	$ 1,336,434	$ 1,431
Nonowner-occupied	17,182	17,557	34,739	4,306,762	4,341,501	2,015
Other commercial	7,413	49,467	56,880	1,876,039	1,932,919	1,326
Residential real estate	35,646	30,519	66,165	3,321,103	3,387,268	9,941
Construction & land development	3,406	17,069	20,475	1,359,510	1,379,985	642
Consumer:						
Bankcard	649	177	826	8,704	9,530	177
Other consumer	7,874	763	8,637	890,437	899,074	502
Total	$ 83,259	$ 133,561	$ 216,820	$ 13,069,891	$ 13,286,711	$ 16,034

(1) Other includes loans with a recorded investment of $155,526 acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality .

Age Analysis of Past Due Loans
As of December 31, 2017

(In thousands)	30-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current & Other (1)	Total Financing Receivables	Recorded Investment >90 Days & Accruing
Commercial real estate:						
Owner-occupied	$ 7,968	$ 13,663	$ 21,631	$ 1,339,998	$ 1,361,629	$ 458
Nonowner-occupied	10,398	20,448	30,846	4,420,452	4,451,298	634
Other commercial	11,533	68,476	80,009	1,918,970	1,998,979	940
Residential real estate	35,300	28,637	63,937	2,932,234	2,996,171	6,519
Construction & land development	1,615	17,190	18,805	1,486,102	1,504,907	385
Consumer:						
Bankcard	449	186	635	9,679	10,314	186
Other consumer	9,288	968	10,256	693,783	704,039	775
Total	$ 76,551	$ 149,568	$ 226,119	$ 12,801,218	$ 13,027,337	$ 9,897

(1) Other includes loans with a recorded investment of $210,521 acquired and accounted for under ASC Topic 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality .

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

Loans on Nonaccrual Status

	September 30, 2018	December 31, 2017
Commercial real estate:		
Owner-occupied	$ 16,578	$ 13,205
Nonowner-occupied	15,542	19,814
Other commercial	48,141	67,536
Residential real estate	20,578	22,118
Construction & land development	16,427	16,805
Consumer:		
Bankcard	0	0
Other consumer	261	193
Total	$ 117,527	$ 139,671

Table of Contents

United assigns credit quality indicators of pass, special mention, substandard and 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 reviews and updates, as necessary, these grades on a quarterly basis.

Special mention loans, with a corporate credit exposure, 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 loans with a consumer credit exposure, loans that are past due 30-89 days are generally considered special mention.

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

Table of Contents

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

Credit Quality Indicators

Corporate Credit Exposure

As of September 30, 2018

	Commercial Real Estate			
	Owner-occupied	Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 1,266,769	$ 4,197,966	$ 1,827,465	$ 1,302,968
Special mention	15,221	60,293	13,528	4,715
Substandard	54,444	83,242	90,023	72,302
Doubtful	0	0	1,903	0
Total	$ 1,336,434	$ 4,341,501	$ 1,932,919	$ 1,379,985

As of December 31, 2017

	Commercial Real Estate			
	Owner-occupied	Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 1,276,088	$ 4,312,985	$ 1,848,868	$ 1,413,706
Special mention	20,165	57,618	55,564	5,196
Substandard	65,376	80,695	90,625	86,005
Doubtful	0	0	3,922	0
Total	$ 1,361,629	$ 4,451,298	$ 1,998,979	$ 1,504,907

Credit Quality Indicators

Consumer Credit Exposure

As of September 30, 2018

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 3,322,863	$ 8,704	$ 890,411
Special mention	17,309	649	7,879