UNITED BANKSHARES INC/WV
Form 10-Q
November 07, 2011
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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 September 30, 2011

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period

Commission File Number: 0-13322

United Bankshares, Inc.

(Exact name of registrant as specified in its charter)

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

Registrant s Telephone Number, including Area Code: (304) 424-8800

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

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

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

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

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

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

Class - Common Stock, $2.50 Par Value; 50,205,691 shares outstanding as of October 31, 2011.

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UNITED BANKSHARES, INC. AND SUBSIDIARIES

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

The September 30, 2011 and December 31, 2010, consolidated balance sheets of United Bankshares, Inc. and Subsidiaries (United or the Company), consolidated statements of income for the three and nine months ended September 30, 2011 and 2010, the related consolidated statement of changes in shareholders equity for the nine months ended September 30, 2011, the related condensed consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010, and the notes to consolidated financial statements appear on the following pages.

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CONSOLIDATED BALANCE SHEETS

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except par value)	September 30 2011 (Unaudited)	December 31 2010 (Note 1)
Assets		
Cash and due from banks	$ 126,294	$ 115,352
Interest-bearing deposits with other banks	541,020	345,319
Federal funds sold	1,210	718
Total cash and cash equivalents	668,524	461,389
Securities available for sale at estimated fair value (amortized cost-$799,735 at September 30, 2011 and $717,797 at December 31, 2010)	738,226	653,276
Securities held to maturity (estimated fair value-$61,657 at September 30, 2011 and $62,315 at December 31, 2010)	62,114	67,036
Other investment securities	71,558	74,403
Loans held for sale	7,378	6,869
Loans	6,264,494	5,263,351
Less: Unearned income	(5,266)	(3,025)
Loans net of unearned income	6,259,228	5,260,326
Less: Allowance for loan losses	(73,509)	(73,033)
Net loans	6,185,719	5,187,293
Bank premises and equipment	76,282	55,378
Goodwill	372,979	311,765
Accrued interest receivable	27,443	23,564
Other assets	367,663	314,746
TOTAL ASSETS	$ 8,577,886	$ 7,155,719
Liabilities		
Deposits:		
Noninterest-bearing	$ 1,613,672	$ 1,203,255
Interest-bearing	5,314,303	4,510,279
Total deposits	6,927,975	5,713,534
Borrowings:		
Federal funds purchased	20,440	8,542
Securities sold under agreements to repurchase	239,655	183,097
Federal Home Loan Bank borrowings	151,904	202,181
Other short-term borrowings	225	1,575
Other long-term borrowings	203,529	184,277
Reserve for lending-related commitments	1,985	2,006
Accrued expenses and other liabilities	59,420	67,495
TOTAL LIABILITIES	7,605,133	6,362,707
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 and 44,319,157 at September 30, 2011 and December 31, 2010, respectively, including 661,939 and 697,522 shares in treasury	127,169	110,798

at September 30, 2011 and December 31, 2010, respectively		
Surplus	238,519	93,431
Retained earnings	687,357	673,260
Accumulated other comprehensive loss	(57,669)	(60,656)
Treasury stock, at cost	(22,623)	(23,821)
TOTAL SHAREHOLDERS EQUITY	972,753	793,012
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 8,577,886	$ 7,155,719

See notes to consolidated unaudited financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands, except per share data)	Three Months Ended September 30 2011	2010	Nine Months Ended September 30 2011	2010
Interest income				
Interest and fees on loans	$ 77,632	$ 70,121	$ 208,812	$ 214,580
Interest on federal funds sold and other short-term investments	366	347	942	910
Interest and dividends on securities:				
Taxable	5,686	8,303	18,206	27,063
Tax-exempt	1,017	1,118	3,033	3,621
Total interest income	84,701	79,889	230,993	246,174
Interest expense				
Interest on deposits	9,667	13,255	29,918	43,675
Interest on short-term borrowings	53	57	106	134
Interest on long-term borrowings	4,229	7,595	12,233	22,740
Total interest expense	13,949	20,907	42,257	66,549
Net interest income	70,752	58,982	188,736	179,625
Provision for loan losses	3,637	6,123	12,873	19,391
Net interest income after provision for credit losses	67,115	52,859	175,863	160,234
Other income				
Fees from trust and brokerage services	3,280	3,215	10,027	9,948
Fees from deposit services	10,462	10,098	30,434	29,439
Bankcard fees and merchant discounts	1,237	1,093	2,475	3,213
Other service charges, commissions, and fees	455	508	1,290	1,356
Income from bank-owned life insurance	1,544	1,282	3,947	3,495
Income from mortgage banking	205	118	570	359
Other income	1,272	1,108	2,722	3,447
Total other-than-temporary impairment losses	(3,453)	(10,364)	(7,339)	(24,347)
Portion of loss recognized in other comprehensive income	(4,469)	8,500	(6,789)	19,901
Net other-than-temporary impairment losses	(7,922)	(1,864)	(14,128)	(4,446)
Net gains on sales/calls of investment securities	445	132	1,626	2,036
Net investment securities losses	(7,477)	(1,732)	(12,502)	(2,410)
Total other income	10,978	15,690	38,963	48,847
Other expense				
Employee compensation	16,970	14,613	46,855	44,362
Employee benefits	4,361	4,128	12,870	12,954
Net occupancy expense	5,051	4,187	13,578	13,132
Other real estate owned (OREO) expense	2,129	2,001	5,129	6,269
Equipment expense	2,230	1,517	5,341	4,335
Data processing expense	2,941	2,594	8,618	8,161
Bankcard processing expense	274	765	749	2,336
FDIC insurance expense	2,308	2,456	6,972	7,304

Other expense	12,609	11,637	33,907	33,984
Total other expense	48,873	43,898	134,019	132,837
Income before income taxes	29,220	24,651	80,807	76,244
Income taxes	9,204	7,335	25,454	23,587
Net income	$ 20,016	$ 17,316	$ 55,353	$ 52,657

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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 September 30**		**Nine Months Ended September 30**	
	2011	**2010**	**2011**	**2010**
Earnings per common share:				
Basic	$ 0.40	$ 0.40	$ 1.21	$ 1.21
Diluted	$ 0.40	$ 0.40	$ 1.21	$ 1.21
Dividends per common share	$ 0.30	$ 0.30	$ 0.90	$ 0.90
Average outstanding shares:				
Basic	49,628,087	43,588,021	45,656,304	43,528,210
Diluted	49,636,382	43,645,653	45,692,106	43,607,091

See notes to consolidated unaudited financial statements.

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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, 2011						
	Common Stock				Accumulated Other Comprehensive		Total
	Shares	Par Value	Surplus	Retained Earnings	Income (Loss)	Treasury Stock	Shareholders Equity
Balance at January 1, 2011	44,319,157	$ 110,798	$ 93,431	$ 673,260	($60,656)	($ 23,821)	$ 793,012
Comprehensive income:							
Net income	0	0	0	55,353	0	0	55,353
Other comprehensive income, net of tax	0	0	0	0	2,987	0	2,987
Total comprehensive income, net of tax							58,340
Acquisition of Centra Financial Holdings, Inc.	6,548,473	16,371	145,049	0	0	0	161,420
Stock based compensation expense	0	0	797	0	0	0	797
Distribution of treasury stock for deferred compensation plan (3,066 shares)	0	0	0	0	0	74	74
Purchase of treasury stock (490 shares)	0	0	0	0	0	(13)	(13)
Cash dividends ($0.90 per share)	0	0	0	(41,256)	0	0	(41,256)
Common stock options exercised (33,007 shares)	0	0	(758)	0	0	1,137	379
Balance at September 30, 2011	50,867,630	$ 127,169	$ 238,519	$ 687,357	($57,669)	($ 22,623)	$ 972,753

See notes to consolidated unaudited financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

UNITED BANKSHARES, INC. AND SUBSIDIARIES

(Dollars in thousands)

	Nine Months Ended September 30	
	2011	**2010**
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 78,923	$ 70,660
INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	4,837	6,016
Proceeds from sales of securities held to maturity	0	3,018
Proceeds from sales of securities available for sale	23,860	55,340
Proceeds from maturities and calls of securities available for sale	1,049,184	695,007
Purchases of securities available for sale	(1,044,536)	(686,014)
Redemption of bank-owned life insurance policies	822	0
Net purchases of bank premises and equipment	(5,317)	(2,368)
Acquisition of Centra Financial Holdings, Inc., net of cash paid	49,085	0
Net change in other investment securities	6,733	1,925
Net change in loans	10,710	396,735
NET CASH PROVIDED BY INVESTING ACTIVITIES	95,378	469,659
FINANCING ACTIVITIES		
Cash dividends paid	(39,280)	(39,174)
Excess tax benefits from stock-based compensation arrangements	159	389
Acquisition of treasury stock	(13)	(12)
Proceeds from exercise of stock options	379	2,137
Repayment of long-term Federal Home Loan Bank borrowings	(50,277)	(75,258)
Distribution of treasury stock for deferred compensation plan	74	520
Changes in:		
Deposits	83,252	(272,717)
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	38,540	106,591
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	32,834	(277,524)
Increase in cash and cash equivalents	207,135	262,795
Cash and cash equivalents at beginning of year	461,389	449,767
Cash and cash equivalents at end of period	$ 668,524	$ 712,562

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 September 30, 2011 and 2010 and for the three-month and nine-month periods then ended have not been audited. The consolidated balance sheet as of December 31, 2010 has been extracted from the audited financial statements included in United s 2010 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 2010 Annual Report of United on Form 10-K. 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 are effective for fiscal years and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The adoption of ASU 2011-05 is not expected to have a material impact on United s financial condition or results of operations.

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

In April 2011, the FASB issued ASU 2011-03, Consideration of Effective Control on Repurchase Agreements , which deals with the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 changes the rules for determining when these transactions should be accounted for as financings, as opposed to sales. The guidance in ASU 2011-03 is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The adoption of ASU 2011-03 is not expected to have a material impact on United s financial condition or results of operation.

In April 2011, the FASB issued ASU 2011-02, A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring , which clarifies when creditors should classify loan modifications as troubled debt restructurings. The guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the year. The guidance on measuring the impairment of a receivable restructured in a troubled debt restructuring is effective on a prospective basis. A provision in ASU 2011-02 also ends the FASB s deferral of the additional disclosures about troubled debt restructurings as required by ASU 2010-20. The adoption of ASU 2011-02 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 $61 million and $10 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 assumed approximately $621 thousand of liabilities to provide severance benefits to terminated employees of Centra which still remained as of September 30, 2011. 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 the investor 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	$ 1,377,186
Contractual cash flows not expected to be collected	(33,879)
Expected cash flows at acquisition	1,343,307
Interest component of expected cash flows	(321,297)
Basis in acquired loans at acquisition estimated fair value	$ 1,022,010

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	1,022,010
Premises and equipment	20,126
Core deposit intangibles	10,445
Other assets	52,403
Total identifiable assets	1,292,785
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	108,625

Resulting goodwill	$	61,371

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The following table provides a reconciliation of goodwill:

	September 30, 2011
Goodwill at December 31, 2010	$ 311,765
Reductions:	
Options exercised from previous acquisitions	(157)
Additions:	
Goodwill from Centra acquisition	61,371
Goodwill at September 30, 2011	$ 372,979

The following table discloses the impact of Centra since the acquisition on July 8, 2011 through the end of the third quarter of 2011. The table also presents certain unaudited pro forma information for the results of operations for the nine months ended September 30, 2011 and 2010, as if the Centra merger had occurred on January 1, 2010. 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 and 2010 that may not have been necessary had the acquired loans been recorded at fair value as of the beginning of 2010. 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 September 30,	Proforma Nine Months Ended September 30	
	2011	2011	2010
Total Revenues [1]	$ 14,529	$ 260,843	$ 273,896
Net Income	5,366	50,689	61,340

(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.

	September 30, 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	$ 304,513	$ 40	$ 6	$ 304,547	$ 0
State and political subdivisions	96,629	3,804	89	100,344	0
Residential mortgage-backed securities					
Agency	215,805	9,891	151	225,545	0
Non-agency	47,472	705	4,610	43,567	2,750
Trust preferred collateralized debt obligations	110,574	0	66,501	44,073	39,316
Single issue trust preferred securities	15,230	341	4,074	11,497	0
Other corporate securities	4,994	6	0	5,000	0
Marketable equity securities	4,518	0	865	3,653	0
Total	$ 799,735	$ 14,787	$ 76,296	$ 738,226	$ 42,066

	December 31, 2010				
	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	$ 103,851	$ 14	$ 0	$ 103,865	$ 0
State and political subdivisions	81,801	2,711	199	84,313	0
Residential mortgage-backed securities					
Agency	308,601	15,132	0	323,733	0
Non-agency	77,524	880	4,648	73,756	3,835
Trust preferred collateralized debt obligations	124,632	0	74,724	49,908	45,021
Single issue trust preferred securities	15,594	287	4,155	11,726	0
Marketable equity securities	5,794	297	116	5,975	0
Total	$ 717,797	$ 19,321	$ 83,842	$ 653,276	$ 48,856

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

Provided below is a summary of securities available for sale which were in an unrealized loss position at September 30, 2011 and December 31, 2010.

	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
September 30, 2011				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 208,838	$ 6	$ 0	$ 0
State and political subdivisions	6,052	37	920	52
Residential mortgage-backed securities				
Agency	15,181	151	0	0
Non-agency	565	1	13,651	4,609
Trust preferred collateralized debt obligations	0	0	44,073	66,501
Single issue trust preferred securities	404	96	6,665	3,978
Marketable equity securities	1,989	544	423	321

Total	$ 233,029	$ 835	$ 65,732	$ 75,461

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	Less than 12 months		12 months or longer	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
December 31, 2010				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 0	$ 0	$ 0	$ 0
State and political subdivisions	7,373	160	624	39
Residential mortgage-backed securities				
Agency	91	0	0	0
Non-agency	5,127	15	23,716	4,633
Trust preferred collateralized debt obligations	0	0	49,908	74,724
Single issue trust preferred securities	0	0	7,093	4,155
Marketable equity securities	339	52	389	64
Total	$ 12,930	$ 227	$ 81,730	$ 83,615

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 September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Proceeds from sales and calls	$ 362,048	$ 371,488	$ 1,073,045	$ 750,347
Gross realized gains	451	212	1,673	807
Gross realized losses	5	51	26	435

At September 30, 2011, gross unrealized losses on available for sale securities were $76,296 on 104 securities of a total portfolio of 393 available for sale securities. Securities in an unrealized loss position at September 30, 2011 consisted primarily of pooled trust preferred collateralized debt obligations (TRUP CDOs), single issue trust preferred securities and non-agency residential mortgage-backed securities. The TRUP CDOs and the single issue trust preferred securities relate mainly to securities of financial institutions. In determining whether or not a security is other-than-temporary impaired, management considered the severity and the duration of the loss in conjunction with United s positive intent and the more likely than not ability to hold these securities to recovery of their cost basis or maturity.

Non-agency residential mortgage-backed securities

The majority of the non-agency residential mortgage-backed security portfolio remains AAA rated. 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 65% of the portfolio includes collateral that was originated during the year of 2005 or before. The remaining 35% includes collateral that was originated in the years of 2006 and 2007. Ninety-seven 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 were other-than-temporarily impaired, management performs an in-depth analysis on each non-agency residential mortgage-backed security on a quarterly basis. The analysis includes a review of the following factors: weighted average loan to value, weighted average maturity, average FICO scores, historical collateral performance, geographic concentration, credit subordination, cross-collateralization, coverage ratios, origination year, full documentation percentage, event risk (repricing), and collateral type. Management completes a monthly stress test to determine the level of loss protection remaining in each individual security and compares the protection remaining to the future expected performance of the underlying collateral. Additionally, management utilizes a third-party cash flow model to perform a cash flow test on each bond that is below investment grade. The model produces a bond specific set of cash flows based upon assumptions input by management. The input assumptions that are incorporated include the projected constant default rate (CDR) of the underlying mortgages, the loss severity upon default, and the prepayment rate on the underlying mortgage collateral. CDR and loss severities are forecasted by management after full evaluation of the underlying collateral including recent performance statistics. At September 30, 2011, United determined that one non-agency mortgage-backed security was deemed to have additional other-than-temporary-impairment. The specific assumptions utilized for this particular security included a constant default rate ranging from 3.5% to 6.5%, a loss severity upon default range of 20.0% to 35.0%, and a constant prepayment rate of 20.0%. The credit-related other-than-temporary impairment recognized in earnings for the third quarter of 2011 on this non-agency residential mortgage-backed security, which is not expected to be sold, was $359 thousand.

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 third quarter of 2011, 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 $634 thousand. The issuer has the contractual ability to defer interest payments for up to 5 years.

Trust preferred collateralized debt obligations (TRUP CDOs)

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

At September 30, 2011, 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

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(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 third quarter of 2011 related to these securities, which are not expected to be sold, was $7.56 million.

The amortized cost of available for sale TRUP CDOs in an unrealized loss position for twelve months or longer as of September 30, 2011 consisted of $10.00 million in investment grade bonds, $5.00 million in split-rated bonds and $95.57 million in below investment grade bonds. The amortized cost of available for sale single issue trust preferred securities in an unrealized loss position for twelve months or longer as of September 30, 2011 consisted of $5.01 million in split-rated bonds and $5.63 million in below investment grade bonds.

The following is a summary of the available for sale TRUP CDOs and single issue trust preferred securities in an unrealized loss position twelve months or greater as of September 30, 2011:

				Amortized Cost		
Class	**Amortized Cost**	**Fair Value**	**Unrealized Loss**	**Investment Grade**	**Split Rated**	**Below Investment Grade**
Senior Bank	$ 11,411	$ 6,013	$ 5,398	$ 0	$ 5,000	$ 6,411
Senior Insurance	10,000	7,250	2,750	10,000	0	0
Mezzanine Bank (now in senior position)	15,711	7,140	8,571	0	0	15,711
Mezzanine Bank	60,924	18,860	42,064	0	0	60,924
Mezzanine Insurance	6,500	3,315	3,185	0	0	6,500
Mezzanine Bank & Insurance (combination)	6,028	1,495	4,533	0	0	6,028
Single issue trust preferreds	10,643	6,665	3,978	0	5,012	5,631
Totals	$ 121,217	$ 50,738	$ 70,479	$ 10,000	$ 10,012	$ 101,205

Management also considered the ratings of the bonds in its portfolio and the extent of downgrades in United s impairment analysis. However, due to historical discrepancies in ratings from the various rating agencies, management considered it imperative to independently perform its own credit analysis based on cash flows as described. The ratings of the investment grade pooled trust preferred securities in the table above range from a low of BBB to a high of A+. The ratings of the split-rated pooled trust preferred securities range from a low of CCC to a high of Baa2, while the below investment grade pooled trust preferred securities range from a low of D to a high of Ba1. The available for sale single issue trust preferred securities ratings range from a low of CC to a high of BBB.

United has recognized cumulative credit-related other-than-temporary impairment of $26.14 million on fourteen pooled trust preferred securities since the third quarter of 2009. Of the remaining ten securities that have not been deemed to be other-than-temporally impaired, the collateralization ratios range from a low of 69.5% to a high of 290.0%, with a median of 95.1%, and a weighted average of 119.46%. The collateralization ratio is defined as the current performing collateral in a deal, divided by the current balance of the specific tranche United owns, plus any debt which is senior or pari passu with United s security s priority level. Performing collateral excludes the balance of any issuer that has either defaulted or has deferred its interest payment.

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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 CDO s at September 30, 2011:

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	$ 11,411	80.9 - 90.9%	12.9 - 13.3%	6.3 - 14.2%	0.3 - 0.5%	4.1 - 6.5%	$ 793
Senior Insurance	10,000	83.2 - 95.1%	0.0 - 0.0%	3.5 - 9.3%	1.0 - 1.0%	6.2 - 6.6%	0
Mezzanine Bank (now in senior position)	15,711	73.7 - 80.7%	2.7 - 9.1%	1.9 - 3.9%	0.5 - 1.0%	7.0 - 10.6%	5,342
Mezzanine Bank	60,924	59.4 - 91.6%	7.5 - 20.6%	6.9 - 29.1%	0.3 - 1.0%	7.3 - 12.5%	18,031
Mezzanine Insurance	6,500	83.2 - 85.1%	0.0 - 2.2%	9.3 - 9.5%	0.0 - 1.0%	6.2 - 8.6%	0
Mezzanine Bank & Ins.	6,028	60.4 - 79.8%	10.8 - 17.9%	14.3 - 32.0%	0.3 - 0.5%	7.0 - 9.8%	1,977

(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 59.4% to 91.6%. The weighted average percentage of performing collateral is 77.9%.
(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 1.2%. 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 September 30, 2011 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 September 30, 2011, 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 September 30, 2011, 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.

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

Balance of cumulative credit losses at December 31, 2010	$ 35,324
Additions for credit losses on securities for which OTTI was not previously recognized	500
Additions for additional credit losses on securities for which OTTI was previously recognized	13,628
Balance of cumulative credit losses at September 30, 2011	$ 49,452

The amortized cost and estimated fair value of securities available for sale at September 30, 2011 and December 31, 2010 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.

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	September 30, 2011		December 31, 2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 263,527	$ 263,652	$ 107,419	$ 107,498
Due after one year through five years	123,678	126,479	44,849	47,035
Due after five years through ten years	97,442	102,526	148,551	154,657
Due after ten years	310,570	241,916	411,184	338,110
Marketable equity securities	4,518	3,653	5,794	5,976
Total	$ 799,735	$ 738,226	$ 717,797	$ 653,276

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

	September 30, 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	$ 11,098	$ 2,807	$ 0	$ 13,905
State and political subdivisions	15,582	188	42	15,728
Residential mortgage-backed securities				
Agency	79	13	0	92
Non-agency	0	0	0	0
Single issue trust preferred securities	32,116	0	3,423	28,693
Other corporate securities	3,239	0	0	3,239
Total	$ 62,114	$ 3,008	$ 3,465	$ 61,657

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 11,200	$ 2,069	$ 0	$ 13,269
State and political subdivisions	20,288	399	109	20,578
Residential mortgage-backed securities				
Agency	92	13	0	105
Non-agency	2	0	0	2
Single issue trust preferred securities	32,122	0	7,093	25,029
Other corporate securities	3,332	0	0	3,332
Total	$ 67,036	$ 2,481	$ 7,202	$ 62,315

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, 2011, the Company s three largest held-to-maturity single-issue trust preferred exposures were to Wells Fargo ($9.88 million), SunTrust Bank ($7.38 million), and Peoples Bancorp Inc. ($7.25 million). Other corporate securities consist mainly of bonds of corporations.

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The following table shows the gross realized gains and losses on calls and a sale of held to maturity securities that have been included in earnings as a result of those calls and sale. During the first nine months of 2010, a corporate bond with a carrying value of $1.00 million and classified as held-to-maturity was sold as a result of a limited opportunity to divest in this issuer, which had filed bankruptcy in 2008. United realized a gain of $1.24 million on the sale of the bond. Gains or losses on calls and sale of held to maturity securities are recognized by the specific identification method.

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Gross realized gains	0	0	1	1,297
Gross realized losses	0	29	0	29

The amortized cost and estimated fair value of debt securities held to maturity at September 30, 2011 and December 31, 2010 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.

	September 30, 2011		December 31, 2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 819	$ 837	$ 1,962	$ 1,981
Due after one year through five years	8,750	9,922	5,048	5,168
Due after five years through ten years	13,144	14,840	20,513	22,628
Due after ten years	39,401	36,058	39,513	32,538
Total	$ 62,114	$ 61,657	$ 67,036	$ 62,315

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 $665,022 and $586,510 at September 30, 2011 and December 31, 2010, respectively.

4. LOANS

Major classifications of loans are as follows:

	September 30, 2011	December 31, 2010
Commercial, financial and agricultural:		
Owner-occupied commercial real estate	$ 700,140	$ 574,909
Nonowner-occupied commercial real estate	1,558,978	1,224,481
Other commercial loans	1,194,890	1,038,302
Total commercial, financial & agricultural	3,454,008	2,837,692
Residential real estate	1,948,001	1,700,380
Construction & land development	583,679	470,934
Consumer:		
Bankcard	11,201	12,025
Other consumer	267,605	242,320

Total gross loans	$ 6,264,494	$ 5,263,351

The outstanding balances in the table above include acquired impaired loans from the Centra merger with a recorded investment of $46,446, or less than 1% of total gross loans, at September 30, 2011. The contractual obligation in these acquired impaired loans was $72,647 at September 30, 2011. There were no acquired impaired loans at December 31,

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2010. The balances on the previous page 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 third quarter of 2011 follows.

Accretable yield at the beginning of the period	$ 0
Additions	2,478
Accretion (including cash recoveries)	(44)
Net reclassifications to accretable from non-accretable	0
Disposals	0
Accretable yield at the ending of the period	$ 2,434

The table above does not include loans held for sale of $7,378 and $6,869 at September 30, 2011 and December 31, 2010, respectively. Loans held for sale consist of single-family residential real estate loans originated for sale in the secondary market.

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 $211,336 and $92,902 at September 30, 2011 and December 31, 2010, respectively. Centra added approximately $49 million.

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. 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. 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 to provide for a reduction of either interest or principal due to a deterioration in the financial condition of the borrower. TDRs can take the form of a reduction of the stated interest rate, splitting a loan into separate loans with market terms on one loan and concessionary terms on the other loan, receipts of assets from a debtor in partial or full satisfaction of a loan, the extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, the reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, the reduction of accrued interest or any other concessionary type of renegotiated debt. As of September 30, 2011, United had TDRs of $3,624 as compared to $437 as of December 31, 2010. Of the $3,624 aggregate balance of TDRs at September 30, 2011, $1,549 was on nonaccrual status and included in the Loans on Nonaccrual Status on the following page. The TDR amount of $437 at December 31, 2010 was past due 90 days or more and is included in the 90 Days or more Past Due and the Recorded Investment >90 Days & Accruing categories in the following Age Analysis of Past Due Loans table. As of September 30, 2011, there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs.

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

The following table sets forth United s troubled debt restructurings that have been restructured during the three months ended September 30, 2011, segregated by class of loans:

Troubled Debt Restructurings

For the Three Months Ended September 30, 2011

(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	0	$ 0	$ 0
Nonowner-occupied	2	2,075	2,075
Other commercial	0	0	0
Residential real estate	0	0	0
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	2	$ 2,075	$ 2,075

The following table sets forth United s troubled debt restructurings that have been restructured during the nine months ended September 30, 2011, segregated by class of loans:

Troubled Debt Restructurings

For the Nine Months Ended September 30, 2011

(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:			
Owner-occupied	0	$ 0	$ 0
Nonowner-occupied	2	2,075	2,075
Other commercial	0	0	0
Residential real estate	2	1,979	1,549
Construction & land development	0	0	0
Consumer:			
Bankcard	0	0	0
Other consumer	0	0	0
Total	4	$ 4,054	$ 3,624

The restructured loans during the third quarter of 2011 in the amount of $2,075 were modified by a reduction in the interest rate. In addition to these loans, the remaining $1,979 of restructured loans for the first nine months of 2011 was modified by a combination of a reduction in the interest rate and the principal. 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 and nine months ended September 30, 2011. These loans were restructured during the last twelve months and subsequently defaulted, resulting in a principal charge-off during the respective time periods. Loans modified in a troubled debt restructuring that defaulted with a recorded investment of zero were fully paid down through the sale of foreclosed real estate property prior to period end.

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(In thousands)	Three Months Ended September 30 Number of Contracts	Three Months Ended September 30 Recorded Investment	Nine Months Ended September 30 Number of Contracts	Nine Months Ended September 30 Recorded Investment
Troubled Debt Restructurings				
Commercial real estate:				
Owner-occupied	0	$ 0	0	$ 0
Nonowner-occupied	0	0	0	0
Other commercial	0	0	0	0
Residential real estate	1	0	2	0
Construction & land development	0	0	0	0
Consumer:				
Bankcard	0	0	0	0
Other consumer	0	0	0	0
Total	1	$ 0	2	$ 0

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

	00,000,000	00,000,000	00,000,000	00,000,000	00,000,000	00,000,000
	Age Analysis of Past Due Loans As of September 30, 2011					
(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	$ 6,791	$ 5,830	$ 12,621	$ 687,519	$ 700,140	$ 72
Nonowner-occupied	16,830	8,017	24,847	1,534,131	1,558,978	1,849
Other commercial	8,824	10,807	19,631	1,175,259	1,194,890	606
Residential real estate	45,939	29,325	75,264	1,872,737	1,948,001	10,290
Construction & land development	9,436	17,087	26,523	557,156	583,679	3,113
Consumer:						
Bankcard	304	136	440	10,761	11,201	136
Other consumer	4 ,939	446	5 385	262,220	267,605	274
Total	$ 93,063	$ 71,648	$ 164,711	$ 6,099,783	$ 6,264,494	$ 16,340

	00,000,000	00,000,000	00,000,000	00,000,000	00,000,000	00,000,000
	Age Analysis of Past Due Loans As of December 31, 2010					
(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	$ 7,525	$ 11,570	$ 19,095	$ 555,814	$ 574,909	$ 1,481
Nonowner-occupied	12,827	5,014	17,841	1,206,640	1,224,481	204
Other commercial	14,687	8,942	23,629	1,014,673	1,038,302	841
Residential real estate	49,758	20,383	70,141	1,630,239	1,700,380	3,814
Construction & land development	6,803	20,387	27,190	443,744	470,934	254
Consumer:						
Bankcard	409	124	533	11,492	12,025	124
Other consumer	4,660	811	5,471	236,849	242,320	517

Total	$ 96,669	$ 67,231	$ 163,900	$ 5,099,451	$ 5,263,351	$ 7,235

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

Loans on Nonaccrual Status

	September 30, 2011	December 31, 2010
Commercial real estate:		
Owner-occupied	$ 5,758	$ 10,089
Nonowner-occupied	6,168	4,810
Other commercial	10,201	8,101
Residential real estate	19,035	16,569
Construction & land development	13,974	20,133
Consumer:		
Bankcard	0	0
Other consumer	172	294
Total	$ 55,308	$ 59,996

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

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

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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, 2011

	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 642,976	$ 1,415,487	$ 1,050,449	$ 480,401
Special mention	29,500	69,831	85,554	37,728
Substandard	27,664	73,660	58,770	64,550
Doubtful	0	0	117	1,000
Total	$ 700,140	$ 1,558,978	$ 1,194,890	$ 583,679

As of December 31, 2010

	Commercial Real Estate Owner-occupied	Commercial Real Estate Nonowner-occupied	Other Commercial	Construction & Land Development
Grade:				
Pass	$ 502,228	$ 1,133,186	$ 897,196	$ 366,358
Special mention	27,156	59,159	80,015	47,183
Substandard	45,525	32,136	61,083	51,282
Doubtful	0	0	8	6,111
Total	$ 574,909	$ 1,224,481	$ 1,038,302	$ 470,934

Credit Quality Indicators

Consumer Credit Exposure

As of September 30, 2011

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,845,589	$ 10,761	$ 262,261
Special mention	50,099	304	4 787
Substandard	52,178	136	557
Doubtful	135	0	0
Total	$ 1,948,001	$ 11,201	$ 267,605

As of December 31, 2010

	Residential Real Estate	Bankcard	Other Consumer
Grade:			
Pass	$ 1,605,589	$ 11,492	$ 236,888
Special mention	47,538	409	4,621
Substandard	47,008	124	811
Doubtful	245	0	0
Total	$ 1,700,380	$ 12,025	$ 242,320

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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-plus days) 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
For the Nine Months Ended September 30, 2011

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate:					
Owner-occupied	$ 7,589	$ 10,057	$ 0	$ 12,475	$ 98
Nonowner-occupied	26,203	27,073	0	12,621	911
Other commercial	4,129	6,157	0	11,317	198
Residential real estate	14,082	15,523	0	15,081	384
Construction & land development	13,273	23,888	0	26,915	342
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	501	501	0	529	21
With an allowance recorded:					
Commercial real estate:					
Owner-occupied	$ 0	$ 0	$ 0	$ 499	$ 0
Nonowner-occupied	2,448	2,868	569	4,113	139
Other commercial	21,326	22,290	6,131	8,495	1,276
Residential real estate	10,663	12,811	1,889	15,627	328
Construction & land development	9,754	11,050	2,220	8,542	188
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	0	0	0	0	0
Total:					
Commercial real estate:					
Owner-occupied	$ 7,589	$ 10,057	$ 0	$ 12,974	$ 98
Nonowner-occupied	28,651	29,941	569	16,734	1,050
Other commercial	25,455	28,447	6,131	19,812	1,474
Residential real estate	24,745	28,334	1,889	30,708	712
Construction & land development	23,027	34,938	2,220	35,457	530
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	501	501	0	529	21

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For the Year Ended December 31, 2010

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate:					
Owner-occupied	$ 10,837	$ 11,970	$ 0	$ 4,229	$ 323
Nonowner-occupied	3,365	3,579	0	5,444	239
Other commercial	4,512	4,718	0	5,480	376
Residential real estate	6,650	7,971	0	6,742	301
Construction & land development	19,275	22,506	0	14,743	569
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	0	0	0	47	0
With an allowance recorded:					
Commercial real estate:					
Owner-occupied	$ 0	$ 0	$ 0	$ 4,462	$ 0
Nonowner-occupied	2,924	3,124	918	1,881	80
Other commercial	3,923	4,304	2,147	2,961	244
Residential real estate	9,195	10,694	1,920	5,228	488
Construction & land development	8,360	8,785	3,408	13,876	358
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	1,320	1,320	200	273	1
Total:					
Commercial real estate:					
Owner-occupied	$ 10,837	$ 11,970	$ 0	$ 8,691	$ 323
Nonowner-occupied	6,289	6,703	918	7,325	319
Other commercial	8,435	9,022	2,147	8,441	620
Residential real estate	15,845	18,665	1,920	11,970	789
Construction & land development	27,635	31,291	3,408	28,619	927
Consumer:					
Bankcard	0	0	0	0	0
Other consumer	1,320	1,320	200	320	1

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 are segregated by class and allocations are made based upon historical loss percentages adjusted for current environmental factors. Allocations for loans other than commercial loans are made based upon historical loss experience adjusted for current environmental conditions. The environmental factors considered for each of the portfolios includes estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower s financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance accounts for the inherent imprecision in the allowance for credit losses analysis.

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For purposes of determining the general allowance, the loan portfolio is segregated by product type to recognize differing risk profiles among categories. It is further segregated by credit grade for risk-rated loan pools and delinquency for homogeneous loan pools. The outstanding principal balance within each pool is multiplied by historical loss data and certain qualitative factors to derive the general loss allocation per pool. Specific loss allocations are calculated for loans in excess of $250 thousand in accordance with ASC topic 310. Risk characteristics of owner-occupied commercial real estate loans and other commercial loans are similar in that they are normally dependent upon the borrower s internal cash flow from operations to service debt. Nonowner-occupied commercial real estate loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents, leases and room rates. Residential real estate loans are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing and resulting residential real estate valuation. Construction and land development loans are impacted mainly by demand whether for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Consumer loan pool risk characteristics are influenced by general, regional and local economic conditions. During the first nine months of 2011, 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 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 $1,985 and $2,006 at September 30, 2011 and December 31, 2010, 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 nine months ended September 30, 2011 is summarized as follows:

Allowance for Loan Losses and Carrying Amount of Loans
For the Nine Months Ended September 30, 2011

	Commercial Real Estate							
	Owner-occupied	**Nonowner-occupied**	**Other Commercial**	**Residential Real Estate**	**Construction & Land Development**	**Consumer**	**Allowance for Estimated Imprecision**	**Total**
Allowance for Loan Losses:								
Beginning balance	$ 3,116	$ 12,456	$ 21,918	$ 11,653	$ 18,738	$ 2,161	$ 2,991	$ 73,033
Charge-offs	1,227	790	1,513	5,211	5,517	949	0	15,207
Recoveries	0	624	1,676	175	66	269	0	2,810
Provision	1,776	499	(2,272)	6,856	6,000	672	(658)	12,873
Ending balance	$ 3,665	$ 12,789	$ 19,809	$ 13,473	$ 19,287	$ 2,153	$ 2,333	$ 73,509
Ending Balance: individually evaluated for impairment	$ 0	$ 569	$ 6,131	$ 1,889	$ 2,220	$ 0	$ 0	$ 10,809
Ending Balance: collectively evaluated for impairment	$ 3,665	$ 12,220	$ 13,678	$ 11,584	$ 17,067	$ 2,153	$ 2,333	$ 62,700
Financing receivables:								
Ending balance	$ 700,140	$ 1,558,978	$ 1,194,890	$ 1,948,001	$ 583,679	$ 278,806	$ 0	$ 6,264,494
Ending Balance: individually evaluated for impairment	$ 4,971	$ 26,946	$ 22,383	$ 17,209	$ 19,125	$ 0	$ 0	$ 90,634
Ending Balance: collectively evaluated for impairment	$ 695,169	$ 1,532,032	$ 1,172,507	$ 1,930,792	$ 564,554	$ 278,806	$ 0	$ 6,173,860

7. INTANGIBLE ASSETS

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

	As of September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 41,440	($ 29,653)	$ 11,787
Goodwill not subject to amortization			$ 372,979

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	As of December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Core deposit intangible assets	$ 30,995	($ 28,055)	$ 2,940
Goodwill not subject to amortization			$ 311,765

United incurred amortization expense of $860 and $1,597 for the quarter and nine months ended September 30, 2011, respectively, and $448 and $1,473 for the quarter and nine months ended September 30, 2010, 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
2011	$ 2,258
2012	2,534
2013	1,728
2014	1,273
2015 and thereafter	5,592

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 $274,000. 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 September 30, 2011, federal funds purchased were $20,440 while securities sold under agreements to repurchase were $239,655. 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.

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 is renewable on a 360 day basis and carries an indexed, floating-rate of interest. The line requires compliance with various financial and nonfinancial covenants. At September 30, 2011, United had no outstanding balance under this line of credit.

United Bank (VA) participates in the Treasury Investment Program, which is essentially the U.S. Treasury s savings account for companies depositing employment and other tax payments. The bank retains the funds in an open-ended interest-bearing note until the Treasury withdraws or calls the funds. A maximum note balance is established and that amount must be collateralized at all times. All tax deposits or a portion of the tax deposits up to the maximum balance are generally available as a source of short-term investment funding. As of September 30, 2011, United Bank (VA) had an outstanding balance of $225 and had additional funding available of $4,775.

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 September 30, 2011, United had an unused borrowing amount of approximately $1,990,549 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.

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At September 30, 2011, $151,904 of FHLB advances with a weighted-average interest rate of 4.18% is scheduled to mature within the next eight years.

The scheduled maturities of these FHLB borrowings are as follows:

Year	Amount
2011	$ 10,000
2012	55,000
2013	29,242
2014	26,625
2015 and thereafter	31,037
Total	$ 151,904

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 September 30, 2011 and December 31, 2010, the outstanding balances of the Debentures were $203,529 and $184,277 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.

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 cumulative.

As part of the acquisition of Centra on July 8, 2011, United assumed all the obligations of Centra and its subsidiaries. Centra had a total of 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.

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 $1,715,402 and $1,562,371 of loan commitments outstanding as of September 30, 2011 and December 31, 2010, 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 $285 and $1,469 as of September 30, 2011 and December 31, 2010, 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 $128,093 and $117,705 as of September 30, 2011 and December 31, 2010, 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 and the fees associated with these letters of credit are immaterial.

In April, 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 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. of West Virginia, the motion was granted, without prejudice, as to United Bankshares, Inc. 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. United believes there are meritorious defenses to the claims asserted in both proceedings.

11. DERIVATIVE FINANCIAL INSTRUMENTS

United uses derivative instruments to aid against 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 hedging 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.

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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 September 30, 2011, United only has fair value hedges. United s cash flow hedge matured in December of 2010.

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 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 September 30, 2011:

Derivative Classifications and Hedging Relationships

September 30, 2011

	Notional Amount	Average Receive Rate	Average Pay Rate
Fair Value Hedges:			
Pay Fixed Swap (Hedging Commercial Loans)	$ 13,130	0.00%	6.27%
Total Derivatives Used in Fair Value Hedges	$ 13,130		
Total Derivatives Used for Interest Rate Risk Management and Designated as Hedges	$ 13,130		

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

	Asset Derivatives			
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	$ 4,236	Other assets	$ 4,360
Total derivatives not designated as hedging instruments		$ 4,236		$ 4,360
Total asset derivatives		$ 4,236		$ 4,360

	Liability Derivatives			
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 1,395	Other liabilities	$ 1,581
Total derivatives designated as hedging instruments		$ 1,395		$ 1,581
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	$ 4,236	Other liabilities	$ 4,360
Total derivatives not designated as hedging instruments		$ 4,236		$ 4,360
Total liability derivatives		$ 5,631		$ 5,941

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.

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The effect of United s derivative financial instruments on its unaudited Consolidated Statements of Income for the three and nine months ended September 30, 2011 and 2010 are presented as follows:

	Income Statement Location	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 20	$ 22
Total derivatives in fair value hedging relationships		$ 20	$ 22
Derivatives not designated as hedging instruments			
Interest rate contracts (1)	Other income	$ 557	$ 763
Interest rate contracts (2)	Other expense	$ (557)	$ (763)
Total derivatives not designated as hedging instruments		$ 0	$ 0
Total derivatives		$ 20	$ 22

	Income Statement Location	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Derivatives in fair value hedging relationships			
Interest rate contracts	Interest income/ (expense)	$ 61	$ 65
Total derivatives in fair value hedging relationships		$ 61	$ 65
Derivatives not designated as hedging instruments			
Interest rate contracts (1)	Other income	$ 1,363	$ 2,476
Interest rate contracts (2)	Other expense	$ (1,363)	$ (2,476)
Total derivatives not designated as hedging instruments		$ 0	$ 0
Total derivatives		$ 61	$ 65

(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.

ASC topic 820 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.

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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 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. Prices obtained from third party vendors that do not reflect forced liquidation or distressed sales are not adjusted by management. 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 reflects 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 market approach 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 September 30, 2011 ranged from LIBOR plus 6.00% to LIBOR plus 30.00%.

Derivatives: United utilizes interest rate swaps in order 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 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.

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The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy.

Description	Balance as of September 30, 2011	Fair Value at September 30, 2011 Using: 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	$ 304,547	$ 0	$ 304,547	$ 0
State and political subdivisions	100,344	0	100,344	0
Residential mortgage-backed securities				
Agency	225,545	0	225,545	0
Non-agency	43,567	420	43,147	0
Trust preferred collateralized debt obligations	44,073	0	0	44,073
Single issue trust preferred securities	11,497	431	11,066	0
Other corporate securities	5,000	0	5,000	0
Total available for sale debt securities	734,573	851	689,649	44,073
Available for sale equity securities:				
Financial services industry	2,017	1,624	393	0
Equity mutual funds (1)	847	847	0	0
Other equity securities	789	789	0	0
Total available for sale equity securities	3,653	3,260	393	0
Total available for sale securities	738,226	4,111	690,042	44,073
Derivative financial assets:				
Interest rate contracts	4,236	0	4,236	0
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	5,631	0	5,631	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.

Description	Balance as of December 31, 2010	Fair Value at December 31, 2010 Using: 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	$ 103,865	$ 0	$ 103,865	$ 0
State and political subdivisions	84,313	0	84,313	0
Residential mortgage-backed securities				
Agency	323,733	0	323,733	0
Non-agency	73,756	408	73,348	0
Trust preferred collateralized debt obligations	49,908	0	0	49,908
Single issue trust preferred securities	11,726	446	11,280	0
Total available for sale debt securities	647,301	854	596,539	49,908
Available for sale equity securities:				
Financial services industry	1,942	1,942	0	0
Equity mutual funds (1)	3,054	3,054	0	0
Other equity securities	979	979	0	0
Total available for sale equity securities	5,975	5,975	0	0
Total available for sale securities	653,276	6,829	596,539	49,908
Derivative financial assets:				
Interest rate contracts	4,360	0	4,360	0
Liabilities				
Derivative financial liabilities:				
Interest rate contracts	5,941	0	5,941	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 September 30, 2011 and December 31, 2010 on a recurring basis and for which United has utilized Level 3 inputs to determine fair value:

	Available-for-sale Securities — Trust preferred collateralized debt obligations: September 30, 2011	December 31, 2010
Balance, beginning of year	$ 49,908	$ 59,294
Total gains or losses (realized/unrealized):		
Included in earnings (or changes in net assets)	(13,451)	(7,322)
Included in other comprehensive income	7,616	(2,064)
Purchases	0	0

Issuances	0	0
Settlements	0	0
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
Balance, ending of period	$ 44,073	$ 49,908
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 September 30, 2011. Gains and losses on the sale of loans are recorded within income from mortgage banking on the unaudited 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 unaudited 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. 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 subsequen